

# CRAVATH, SWAINE & MOORE

ONE CHASE MANHATTAN PLAZA

NEW YORK, N. Y. 10005

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RECORDATION NO. .... Filed 1425

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JAN 11 1980 - 3 50 PM  
INTERSTATE COMMERCE COMMISSION  
Fee \$ 60.00

JAN 11 1980

ICC Washington, D. C.

January 8, 1980

The Procter & Gamble Paper Products Company  
Lease Financing Dated as of October 15, 1979  
(Interfunding Equipment)

Dear Madam:

Pursuant to 49 U.S.C. § 11303, I enclose herewith on behalf of The Procter & Gamble Paper Products Company for filing and recordation counterparts of the following documents:

(1) Equipment Lease dated as of October 15, 1979, between The Connecticut Bank and Trust Company, as Lessor, and The Procter & Gamble Paper Products Company, as Lessee; and

(2) Supplemental Indenture dated as of October 15, 1979, between The Connecticut Bank and Trust Company, as Owner Trustee, and First Security Bank of Utah, N.A., as Trustee.

The names and addresses of the parties to the aforementioned agreements are as follows:

Owner Trustee--Lessor:

The Connecticut Bank and Trust Company  
One Constitution Plaza  
Hartford, Connecticut 066115

MAURICE T. MOORE  
BRUCE BROMLEY  
WILLIAM B. MARSHALL  
RALPH L. MCAFEE  
ROYALL VICTOR  
ALLEN H. MERRILL  
HENRY W. DEKOSMIAN  
ALLEN F. MAULSBY  
STEWART R. BROSS, JR.  
HENRY P. RIORDAN  
JOHN R. HUPPER  
SAMUEL C. BUTLER  
WILLIAM J. SCHRENK, JR.  
BENJAMIN F. CRANE  
FRANCIS F. RANDOLPH, JR.  
JOHN F. HUNT  
GEORGE J. GILLESPIE, III  
RICHARD S. SIMMONS  
WAYNE E. CHAPMAN  
THOMAS D. BARR  
MELVIN L. BEDRICK  
GEORGE T. LOWY  
ROBERT ROSENMAN  
JAMES H. DUFFY  
ALAN J. HRUSKA

JOHN E. YOUNG  
JAMES M. EDWARDS  
DAVID O. ORMSBY  
DAVID L. SCHWARTZ  
RICHARD J. HIEGEL  
FREDERICK A. O. SCHWARZ, JR.  
CHRISTINE BESHAR  
ROBERT S. RIFKIND  
DAVID BOIES  
DAVID O. BROWNWOOD  
PAUL M. DODDY  
RICHARD M. ALLEN  
THOMAS R. BROME  
ROBERT D. JOFFE  
ROBERT F. MULLEN  
ALLEN FINKELSON  
RONALD S. ROLFE  
JOSEPH R. SAUNDERS  
PAUL C. SAUNDERS  
MARTIN L. SENZEL  
DOUGLAS D. BROWN  
ALAN C. STEPHENSON  
RICHARD L. HOFFMAN  
JOSEPH A. MULLINS  
MAX R. SHULMAN

11357

RECORDATION NO. .... Filed 1425

JAN 11 1980 - 3 50 PM

INTERSTATE COMMERCE COMMISSION

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CABLE ADDRESSES

CRAVATH, N. Y.  
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*Kuran Foster*  
*Counsel*

Trustee:

First Security Bank of Utah, N.A.  
79 South Main Street  
Salt Lake City, Utah 84111


Lessee:

The Procter & Gamble Paper Products Company  
299 East Sixth Street  
Cincinnati, Ohio 45201

The equipment covered by the aforementioned agreements consists of 150 70-ton, 50'6" Class XP Box Cars bearing Lessee indentifying numbers GBW 16150 through 16299, both inclusive.

Enclosed is our check for \$60 for the required recordation fee. Please accept one counterpart of each of the enclosed agreements for your files, stamp the remaining counterparts with your recordation number and return them to the delivering messenger along with your fee receipt, addressed to the undersigned.

Very truly yours,

  
Roger D. Turner  
as Agent for the Procter &  
Gamble Paper Products Company

Ms. Agatha L. Margenovich,  
Secretary,  
Interstate Commerce Commission,  
Washington, D.C. 20423.

Encls.

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**Interstate Commerce Commission**  
Washington, D.C. 20423

1/11/80

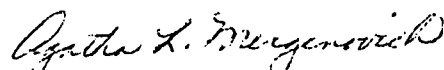
OFFICE OF THE SECRETARY

Roger D. Turner  
Cravath, Swaine & Moore  
One Chase Manhattan plaza  
New York, N.Y. 10005

Dear Sir:

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 1/1/80 at 3:50pm, and assigned re-recording number(s). 11357 & 11357-A

Sincerely yours,

  
Agatha L. Mergenovich  
Secretary

Enclosure(s)

JAN 11 1980 -3 50 PM

INTERSTATE COMMERCE COMMISSION  
THE RIGHTS OF THE LESSOR UNDER THIS EQUIPMENT LEASE AND IN ALL EQUIPMENT COVERED HEREBY HAVE BEEN ASSIGNED TO, AND ARE SUBJECT TO A SECURITY INTEREST IN FAVOR OF, FIRST SECURITY BANK OF UTAH, N.A., AS TRUSTEE UNDER A TRUST INDENTURE DATED AS OF NOVEMBER 2, 1978, AS AMENDED AND SUPPLEMENTED. THIS EQUIPMENT LEASE HAS BEEN EXECUTED IN COUNTERPARTS.

---

EQUIPMENT LEASE

Dated as of October 15, 1979

between

THE CONNECTICUT BANK AND TRUST COMPANY,  
not in its individual capacity, but solely  
as trustee under a Master Trust Agreement  
dated as of November 2, 1978,  
between it and Itel Corporation, Equipment Finance Division,  
as Lessor

and

THE PROCTER & GAMBLE PAPER PRODUCTS COMPANY,  
as Lessee

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## EQUIPMENT LEASE

THIS EQUIPMENT LEASE dated as of October 15, 1979 (the Lease), between THE CONNECTICUT BANK AND TRUST COMPANY, a Connecticut corporation, not in its individual capacity, but solely as trustee (the Lessor) under a Master Trust Agreement dated as of November 2, 1978 (the Trust Agreement), between it and Itel Corporation, Equipment Finance Division, and The Procter & Gamble Paper Products Company, an Ohio corporation (the Lessee).

### W I T N E S S E T H :

#### SECTION 1. Definitions; Construction of References.

In this Lease, unless the context otherwise requires, the following terms shall have the following meanings for all purposes of this Lease:

Abatements shall have the meaning set forth in Section 4 hereof.

Appraisal shall mean a procedure whereby two independent appraisers, one chosen by the Lessee and one by the Lessor, shall mutually agree upon the amount in question. The Lessor or the Lessee, as the case may be, shall deliver a written notice to the other party appointing its appraiser within 15 days after receipt from the other party of a written notice appointing that party's appraiser. If within 15 days after appointment of the two appraisers, the two appraisers are unable to agree upon the amount in question, a third independent appraiser shall be chosen within five days thereafter by the mutual consent of such first two appraisers or, if such first two appraisers fail to agree upon the appointment of a third appraiser, such appointment shall be made by an authorized representative of the American Arbitration Association or any organization successor thereto. The decision of the third appraiser so appointed and chosen shall be given within 10 days after the selection of such third appraiser and, upon receipt of such decision, the amount in question shall be definitively determined by averaging the respective decisions of all three appraisers, and thereafter such amount shall be binding and conclusive on the Lessor and the Lessee. The Lessor and the Lessee shall pay the fees and expenses of the respective appraisers appointed by them. The fees and expenses of the third appraiser, if any, shall either (A) be added to the purchase price of the Items of Leased Equipment appraised, if such Items should be purchased by the Lessee, or (B) if such Items should not be purchased by the Lessee, be paid by the Lessee as Supplemental Rent hereunder.

Basic Rent, Supplemental Rent and Rent shall have the meanings set forth in Section 3 hereof.

Beneficiary, Rent Commencement Date, Late Payment Rate, Basic Rent Dates, Estimated First Delivery Date, Final Delivery Date, First Basic Rent Date, Last Basic Rent Date, Expiration Date, Casualty Value Payment Dates, Basic Lease Rate Factor, Lease Extension Periods, Equipment Marking, Period of Storage, Investment Credit Percentage, Depreciable Life, Depreciation Method and Net Salvage Value shall have the meanings set forth in Exhibit C hereto.

Business Day shall have the meaning set forth in the Participation Agreement.

Casualty Value shall have the meaning set forth in Exhibit D hereto.

Certificate of Acceptance shall mean a certificate substantially in the form of Exhibit B hereto.

Claims shall have the meaning set forth in Section 12 hereof.

Closing Date shall have the meaning set forth in the Participation Agreement.

Code shall have the meaning set forth in Section 13 hereof.

Default shall mean an event which, after the giving of notice or lapse of time, or both, would mature into an Event of Default.

Depreciation Deductions, Interest Deductions and Investment Credit shall have the meanings set forth in Section 13 hereof.

Equipment, and individually an Item or Item of Equipment, shall mean the items of equipment described in Exhibit A hereto.

Event of Default shall have the meaning set forth in Section 16 hereof.

Event of Loss shall have the meaning set forth in Section 10 hereof.

Fair Market Rental Value of an Item of Leased Equipment shall be determined on the basis of, and shall mean the amount which would be obtainable in, an arm's-length transaction between an informed and willing lessee (other than a lessee currently in possession) under no compulsion to lease and an informed and willing lessor under no compulsion to lease, in accordance with a lease on terms and conditions as herein provided. If the Lessor and the

Lessee are unable to agree upon a determination of Fair Market Rental Value with respect to a particular Item of Leased Equipment, such Fair Market Rental Value shall be determined in accordance with the procedure for Appraisal.

Fair Market Value of an Item of Leased Equipment shall be determined on the basis of, and shall mean the amount which would be obtainable in, an arm's-length transaction between an informed and willing buyer or user (other than (i) a lessee currently in possession or (ii) a used equipment dealer) under no compulsion to buy and an informed and willing seller under no compulsion to sell, and in such determination costs of removal from the location of current use shall not be a deduction from such value. If the Lessor and the Lessee are unable to agree upon a determination of Fair Market Value with respect to a particular Item of Leased Equipment, such Fair Market Value shall be determined in accordance with the procedure for Appraisal.

Impositions shall have the meaning set forth in Section 7 hereof.

Indenture shall mean the Trust Indenture dated as of November 2, 1978, between First Security Bank of Utah, N.A., a national banking association (the Trustee), and the Lessor.

Lessor's Cost shall mean, with respect to any Item of Leased Equipment, the cost thereof set forth in the manufacturer's invoice therefor.

Leased Equipment, and individually an Item of Leased Equipment, shall have the meanings set forth in Section 2 hereof.

Liens and Lessor's Liens shall have the meanings set forth in Section 6 hereof.

Loss shall have the meaning set forth in Section 13 hereof.

Notes shall mean those promissory notes defined as Notes in the Participation Agreement issued in connection with the purchase of the Leased Equipment.

Participation Agreement shall mean the agreement, dated as of the date hereof, among the various parties thereto, including the Lessor, the Trustee, the Beneficiary, the Lessee and the entity named therein as the Long-Term Lender.



Person shall mean any individual, partnership, corporation, trust, unincorporated association or joint venture, a government or any department or agency thereof, or any other entity.

Purchase Documents shall mean those documents defined as "Purchase Documents" in the Participation Agreement.

Requisition of Use shall have the meaning set forth in Section 10 hereof.

Supplement shall mean the supplement to the Indenture creating a separate series of Notes for issuance in connection with the purchase of the Leased Equipment.

## SECTION 2. Lease of Equipment.

Subject to the terms and conditions of this Lease, the Lessor agrees to lease to the Lessee, and the Lessee agrees to lease from the Lessor, such Items of Equipment as the Lessor shall have acquired, or become obligated to pay for, pursuant to the Purchase Documents (Leased Equipment, and individually an Item of Leased Equipment). Subject to the provisions of the Participation Agreement, upon delivery of each Item of Equipment to the Lessor on or after the Estimated First Delivery Date, but on or before the Final Delivery Date, the Lessee will either (a) cause an authorized representative of the Lessee to inspect the same and, if such Item is found to be in good order, to accept such Item and to execute and deliver a Certificate of Acceptance with respect thereto, or (b) if the Lessee, acting in good faith, should find that such Item is not in good order, return the same to the manufacturer thereof. Each Item of Leased Equipment delivered to the Lessee in accordance with the Purchase Documents shall be subject to the terms and conditions of this Lease from the date the Lessor shall have acquired, or become obligated to pay for, such Item.

## SECTION 3. Term and Rent.

(a) The term of this Lease shall begin with respect to each Item of Equipment on the date such Item of Equipment shall become an Item of Leased Equipment hereunder and shall end on the Expiration Date, unless this Lease shall have been terminated, or the term of this Lease shall have been extended, by the terms hereof.

(b) The Lessee hereby promises to pay to the Lessor as basic rent (herein referred to as Basic Rent) for each Item of Leased Equipment on the First Basic Rent Date and on each Basic Rent Date thereafter to and including the Last Basic Rent Date, an amount equal to the Basic Lease Rate Factor multiplied by the Lessor's Cost of such Item of Leased Equipment.

(c) The Lessee shall pay to the Lessor the following amounts (herein referred to as Supplemental Rent and, together with

all Basic Rent, as Rent):

(1) on demand, any amount payable hereunder (other than Basic Rent and Casualty Value, if any) which the Lessee assumes the obligation to pay, or agrees to pay, under this Lease to the Lessor or others;

(2) on the date provided herein, any amount payable hereunder as Casualty Value, if any; and

(3) on demand, to the extent permitted by applicable law, interest (computed on the basis of a 360-day year of 12 30-day months) at the Late Payment Rate on any payment of Basic Rent or Casualty Value, if any, not paid when due for any period during which the same shall be overdue.

(d) Subject to the provisions of the Participation Agreement, all payments of Rent hereunder shall be made so that the Lessor shall have immediately available funds no later than 11:00 A.M. New York City time on the date payable hereunder and shall be paid to the Lessor at its address set forth herein or at such other address or to such other Person as the Lessor may direct by notice in writing to the Lessee.

#### SECTION 4. Net Lease.

This Lease is a net lease, and the Lessee agrees that the Lessee's obligation to pay all Rent hereunder, and the rights of the Lessor in and to such Rent, shall be absolute and unconditional and shall not be subject to any abatement, reduction, set-off, defense, counterclaim or recoupment (Abatements) for any reason whatsoever, including, without limitation, Abatements due to any present or future claims of the Lessee against the Lessor under this Lease or otherwise, against the manufacturer of any Item of Leased Equipment, or against any other Person for whatever reason. Except as otherwise expressly provided herein, this Lease shall not terminate, nor shall the obligations of the Lessee be affected by reason of any defect in or damage to, or any loss or destruction of, the Leased Equipment or any Item thereof from whatsoever cause, or the interference with the use thereof by the Lessor or any other Person, or the invalidity or unenforceability or lack of due authorization of this Lease or any failure of the Lessor to perform any obligation of the Lessor to the Lessee or any other Person under this Lease, the Participation Agreement or any instrument or document executed in connection herewith, or for any other cause, whether similar or dissimilar to the foregoing, any present or future law or regulation to the contrary notwithstanding, it being the express intention of the Lessor and the Lessee that all Rent payable by the Lessee hereunder shall be, and continue to be, payable in all events unless the obligation to pay the same shall be terminated pursuant to the express provisions of this Lease.

#### SECTION 5. Warranty of the Lessor.

(a) The Lessor warrants that during the term of this Lease,

if no Event of Default has occurred, the Lessee's use of the Leased Equipment shall not be interrupted by the Lessor or anyone claiming solely through or under the Lessor.

(b) The warranty set forth in paragraph (a) of this Section 5 is in lieu of all other warranties of the Lessor, whether written, oral or implied with respect to this Lease or the Leased Equipment, and the Lessor shall not be deemed to have modified in any respect the obligations of the Lessee pursuant to Section 4 hereof, which obligations are absolute and unconditional. THE LESSEE EXPRESSLY AGREES TO LEASE EACH ITEM OF LEASED EQUIPMENT "AS IS". THE LESSOR SHALL NOT BE DEEMED TO HAVE MADE, AND THE LESSOR HEREBY DISCLAIMS, ANY OTHER REPRESENTATION OR WARRANTY, EITHER EXPRESS OR IMPLIED, AS TO ANY MATTER WHATSOEVER, INCLUDING, WITHOUT LIMITATION, TITLE TO THE LEASED EQUIPMENT, THE DESIGN OR CONDITION OF THE LEASED EQUIPMENT, ITS MERCHANTABILITY OR ITS FITNESS FOR ANY PARTICULAR PURPOSE, THE QUALITY OF THE MATERIAL OR WORKMANSHIP OF THE LEASED EQUIPMENT OR CONFORMITY OF THE LEASED EQUIPMENT TO THE PROVISIONS AND SPECIFICATIONS OF ANY PURCHASE ORDER OR ORDERS RELATING THERETO, NOR SHALL THE LESSOR BE LIABLE FOR INCIDENTAL OR CONSEQUENTIAL DAMAGES (INCLUDING STRICT OR ABSOLUTE LIABILITY IN TORT), but the Lessor authorizes the Lessee, at the Lessee's expense, to assert for the Lessor's account, during the term of this Lease, so long as no Default or Event of Default shall have occurred and be continuing hereunder, all the Lessor's rights under any applicable manufacturer's warranty and the Lessor agrees to cooperate with the Lessee in asserting such rights; provided, however, that the Lessee shall indemnify the Lessor and hold the Lessor harmless from and against any and all claims, and all costs, expenses, damages, losses and liabilities incurred or suffered by the Lessor in connection with, as a result of, or incidental to, any action by the Lessee pursuant to the above authorization. Any amount received by the Lessee as payment under any such warranty shall be applied to restore the Leased Equipment to the condition required by Section 8 hereof; provided further, however, that in the event a Default or an Event of Default shall have occurred and be continuing, any such amount shall be paid to and retained by the Lessor.

#### SECTION 6. Liens.

The Lessee will not directly or indirectly create, incur, assume or suffer to exist any mortgage, lien, security interest, charge, claim or other encumbrance (Liens) on or with respect to the Leased Equipment, the Lessor's title thereto or any interest of the Lessor therein (and the Lessee will promptly, at its own expense, take such action as may be necessary duly to discharge any such Lien), except (a) the respective rights of the Lessor and the Lessee as herein provided, (b) Liens created or granted by the Lessor or resulting from claims against the Lessor not related to the transactions contemplated hereby (Lessor's Liens), (c) Liens for taxes either not yet due or being duly contested by the Lessee in good faith, if counsel for the Lessor shall have determined that the nonpayment of any such tax or the contest of any such payment in such proceedings does not, in the opinion of such counsel, adversely affect the title, property or rights of the Lessor, and (d) inchoate materialmen's, mechanics', workmen's, repairmen's, employees' or other like Liens arising in the ordinary course of business of the Lessee and not delinquent.

## SECTION 7. Taxes.

The Lessee agrees to pay and to indemnify and hold harmless the Lessor for all income, franchise, sales, use, personal property, ad valorem, value added, leasing, leasing use, stamp or other taxes, levies, imposts, duties, charges, or withholdings of any nature, together with any penalties, fines or interest thereon (Impositions), arising out of the transactions contemplated by this Lease or any Supplement and imposed against the Lessor, the Lessee or any Item of Leased Equipment by any federal, state, local or foreign government or taxing authority (a) upon or with respect to any Item of Leased Equipment, (b) upon the sale, purchase, ownership, delivery, leasing, possession, use, operation, return or other disposition of any Item of Leased Equipment, (c) upon the rentals, receipts or earnings arising from any Item of Leased Equipment or (d) upon or with respect to this Lease (any matter referred to in the foregoing clauses (a), (b), (c) and (d) being hereinafter referred to as an Equipment Tax Event) (excluding, however, taxes, including without limitation franchise taxes, (i) based on, or measured solely by, the net income of the Lessor and (ii) imposed (A) by the United States or the state or local jurisdiction in which the Beneficiary has its principal place of business or (B) any state or local jurisdiction subjecting the Beneficiary to taxes based on, or measured solely by, the net income of the Beneficiary by reason of any business or transaction not related to an Equipment Tax Event), unless, and only to the extent that, the Lessee shall have given to the Lessor written notice of any such Imposition, stating that such Imposition is being duly contested by the Lessee in good faith and counsel for the Lessor shall have determined that the nonpayment or contest of payment in such proceedings does not, in the opinion of such counsel, adversely affect the title, property or rights of the Lessor. If a claim is made against the Lessee or the Lessor for any Imposition, the party receiving notice of such claim shall promptly notify the other. In case any report or return is required to be made with respect to any obligation of the Lessee under, or arising out of, this Section 7, the Lessee will either (after notice to the Lessor) make such report or return in such manner as will show the ownership of the Leased Equipment in the Lessor and send a copy thereof to the Lessor or will notify the Lessor of such requirement and make such report or return in such manner as shall be satisfactory to the Lessor. The Lessor agrees to cooperate fully with the Lessee in the preparation of any such report or return.

## SECTION 8. Use, Maintenance and Operation; Equipment Marking.

(a) The Lessee agrees that each Item of Leased Equipment will be used, or is intended for use, in connection with interstate commerce and will be used in compliance with any and all statutes, laws, ordinances and regulations of any governmental agency applicable to the use thereof and the rules of the Association of American Railroads pertaining to the possession, use, operation and maintenance of each such Item, and the Lessee agrees to prepare and deliver to the Lessor within a reasonable time prior to the required date of filing (or, to the extent permissible, file on behalf of the Lessor) any and all reports (other than income tax returns, except as provided in Section 7 hereof) to be filed by the Lessor with any federal, state or other regulatory authority by reason of ownership by the Lessor of the Items of Leased Equipment or the leasing thereof

to the Lessee. Throughout the term of this Lease, the possession, use and maintenance of each Item of Leased Equipment shall be at the sole risk and expense of the Lessee.

(b) So long as no Default or Event of Default exists and is continuing hereunder, the Lessee shall be entitled to the possession and use of each Item of Leased Equipment in accordance with the terms of this Lease. Without the prior written consent of the Lessor, the Lessee shall not assign or transfer its leasehold interest under this Lease in all or any of the Leased Equipment except as hereinafter provided in this paragraph; and the Lessee shall not, without the prior written consent of the Lessor, sublease or part with the possession or control of, or suffer or allow to pass out of its possession or control, any of the Leased Equipment, except to the extent hereinafter provided in this paragraph. The Lessee shall be entitled to the use of each Item of Leased Equipment upon lines of railroad owned, if any, or operated by it or any affiliate of the Lessee or upon lines of railroad, if any, over which the Lessee or any such affiliate has trackage or other operating rights or over which railroad equipment of the Lessee or any such affiliate is operated pursuant to contract or otherwise and shall be entitled to permit the use of the Leased Equipment upon connecting and other carriers in the usual interchange of traffic or pursuant to runthrough agreements and, without relieving the Lessee of its liability hereunder, to assign its rights to any and all Items of Leased Equipment or to sublease such Items of Leased Equipment to Green Bay and Western Railroad Co. or any other Person, but only upon and subject to all the terms and conditions of this Lease; provided, however, that the Lessee shall not assign, sublease or use or permit the assignment, sublease or use of any Item of Leased Equipment predominantly outside the United States of America within the meaning of Section 48(a) of the Code, nor shall the Lessee assign or sublease to, or permit the sublease to or use of any Item of Leased Equipment by, any Person in whose hands such Item would not qualify as "section 38 property" within the meaning of the Code; and, provided, further, however, that in the case of any such assignment, transfer, sublease (other than a sublease to Green Bay and Western Railroad Co.) or parting with possession or control, the Lessor shall have been given 30 days' prior written notice and shall, at its request, be provided with copies of any instrument used to effectuate the same. So long as no Event of Default shall exist hereunder, the Lessee may receive and retain compensation for the use of any of the Items of Leased Equipment from railroads or other entities so using such Items; provided, however, that in the event a Default or an Event of Default shall have occurred and be continuing, any such compensation shall be paid to and retained by the Lessor.

Nothing in this Section 8 shall be deemed to restrict the right of the Lessee to assign or transfer its leasehold interest under this Lease or possession of the Leased Equipment to any corporation incorporated under the laws of any state of the United States of America or the District of Columbia (which shall have duly assumed the obligations of the Lessee hereunder) into or with which the Lessee shall have become merged or consolidated or which shall have acquired the property of the Lessee as an entirety or substantially as an entirety, provided that such assignee or transferee will not, upon the effectiveness of such merger, consolidation or acquisition, be in default under any provision of this Lease; provided, however, that if the Lessee shall continue in existence

after any such corporate change, it shall also continue to remain liable with respect to the obligations of the Lessee hereunder, unless the Lessor shall otherwise consent in writing, notwithstanding any such assumption by a successor to the Lessee, as aforesaid.

(c) The Lessee agrees to comply in all respects (including without limitation with respect to the use, maintenance and operation of each Item of Leased Equipment) with all laws of the jurisdictions in which its operations involving the Items of Leased Equipment may extend, with the interchange rules of the Association of American Railroads and with all lawful rules of the United States Department of Transportation, the Interstate Commerce Commission and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Items of Leased Equipment, to the extent that such laws and rules affect the title, operation or use of the same, and in the event that such laws or rules require any alteration, replacement or addition of or to any part on any Item of Leased Equipment, the Lessee will conform therewith at its own expense; provided, however, that the Lessee may at its own expense, in good faith, contest the validity or application of any such law or rule in any reasonable manner which does not, in the opinion of the Lessor, adversely affect the Lessor's title to the Leased Equipment or its property or rights under this Lease.

(d) The Lessee agrees that, at its own cost and expense, it will maintain and keep each Item of Leased Equipment (including any parts installed on or replacements made to any Unit and considered an accession thereto as hereinbelow provided) which is subject to this Lease in as good operating order, repair and condition as when the Equipment shall have become subject to this Lease, ordinary wear and tear excepted, in accordance with the Interchange Rules of the Association of American Railroads and in the same condition as other similar equipment owned or leased by the Lessee. The Lessee, at its own cost and expense, may from time to time make such other additions, modifications and improvements to any Item of Leased Equipment during the term of this Lease as are readily removable without causing material damage to such Items of Leased Equipment (and do not adversely affect the value of such Items of Leased Equipment). The additions, modifications and improvements made by the Lessee under the preceding sentence shall be owned by the Lessee, except to the extent such additions, modifications or improvements are made in order to comply with the next sentence hereof. Any additions, modifications and improvements made to any Item of Leased Equipment (i) which are not readily removable without causing material damage to such Item, (ii) the cost of which is included in the Lessor's Cost, (iii) in the course of ordinary maintenance of such Item of Leased Equipment, or (iv) which are required for the operation or use of such Item of Leased Equipment by the interchange rules of the Association of American Railroads or by the regulations of the Interstate Commerce Commission, the Department of Transportation or any other applicable regulatory body, shall constitute accessions to such Item of Leased Equipment and full ownership thereof free from any lien, charge, security interest or encumbrance (except for those created by the Lessor) shall immediately be vested in the Lessor and shall be deemed to be part of the Leased Equipment for purposes of this Lease.

(e) The Lessee agrees, at its own cost and expense, to (1) cause each Item of Leased Equipment to be kept numbered with the identification number therefor as specified in the Certificate of Acceptance therefor, and (2) maintain the Equipment Marking on each Item of Leased Equipment and such other markings as from time to time may be required by law or otherwise deemed necessary by the Lessor in order to protect the title of the Lessor to such Item of Leased Equipment, the rights of the Lessor under this Lease and the Liens granted by the Lessor in financing the Lessor's Cost of the Leased Equipment. The Lessee will not place any Item of Leased Equipment in operation or exercise any control or dominion over the same until such Equipment Marking has been placed thereon. The Lessee will replace promptly any such Equipment Marking which may be removed, defaced or destroyed.

#### SECTION 9. Inspection and Reports.

On or before March 31 in each year, commencing with the calendar year 1981, the Lessee will furnish to the Lessor and the Trustee an accurate statement (a) setting forth as at the preceding December 31 the total number, description and identification numbers of all Items of Leased Equipment then leased hereunder, the total number, description and identification numbers of all Items of Leased Equipment that have suffered an Event of Loss during the preceding calendar year or are then undergoing repairs (other than running repairs) or then withdrawn from use pending repair (other than running repairs) and setting forth such other information regarding the condition and state of repair thereof as the Lessor or the Trustee may reasonably request, (b) stating that, in the case of all Items of Leased Equipment repainted or repaired during the period covered by such statement, the numbers and markings required by Section 8 hereof have been preserved or replaced, (c) further stating that the Lessee is in compliance under this Lease and (d) setting forth the insurance coverage then being maintained pursuant to, and stating that such coverage is in compliance with, Section 11 hereof, the Lessor having the right to inspect any applicable insurance documentation upon reasonable prior written request therefor. The Lessor and the Trustee shall each have the right (but not the obligation) by its agents to inspect the Items of Leased Equipment and the Lessee's records with respect thereto at such reasonable times as the Lessor or the Trustee may request during the continuance of this Lease.

#### SECTION 10. Loss or Destruction; Requisition of Use.

(a) In the event that any Item of Leased Equipment shall be or become irreparably damaged, destroyed, lost, stolen, or permanently rendered unfit for use for any reason whatsoever, or title thereto or use thereof shall be requisitioned or otherwise taken by any governmental authority under power of eminent domain or otherwise (any such taking being herein referred to as a Requisition of Use) for a stated period which exceeds the then remaining term of this Lease (any of such occurrences being referred to as an Event of Loss), the Lessee shall promptly notify the Lessor of such Event of Loss. On the Casualty Value Payment Date next following the date of such Event of Loss, the Lessee shall pay to the Lessor the Casualty Value of such Item of Leased Equipment determined as of such Casualty Value Payment Date, together with any Rent then

due. Upon making such Casualty Value payment in respect of such Item of Leased Equipment and all Rent due and owing with respect thereto, the Lessee's obligation to pay further Basic Rent for such Item of Leased Equipment shall cease, but the Lessee's obligation to pay Supplemental Rent, if any, for such Item of Leased Equipment, shall remain unchanged. Except in the case of loss, theft or destruction, the Lessor shall be entitled to recover possession of such Item. The Lessor shall be under no duty to the Lessee to pursue any claim against any governmental authority, but the Lessee may at its own cost and expense pursue the same on behalf of the Lessor in such manner as may be satisfactory to the Lessor.

(b) Following payment of the Casualty Value of an Item of Leased Equipment in accordance with the provisions of paragraph (a) of this Section 10, the Lessee, if possible, shall, as agent for the Lessor, dispose of such Item as soon as it is able to do so for the best price obtainable. Any such disposition shall be on an as is, where is basis without recourse, representation or warranty, express or implied. As to each separate Item of Leased Equipment so disposed of, the amounts of such price shall be paid to the Lessor, unless (i) no Default or Event of Default has occurred and is continuing and (ii) the Lessee shall have paid the Lessor the amounts specified in paragraph (a) of this Section 10, in which case the Lessee may retain all amounts of such price up to the Casualty Value thereof and the Lessee's reasonable costs and expenses of disposition attributable thereto, and shall remit the excess, if any, to the Lessor. With respect to a Requisition of Use of any Item of Leased Equipment for a stated period which exceeds the then remaining term of this Lease, the Lessor agrees that, unless a Default or Event of Default has occurred and is continuing, the Lessee shall receive and retain all amounts paid by any governmental authority up to the Casualty Value paid by the Lessee to the Lessor hereunder, and any excess shall be paid over and retained by the Lessor and that, if a Default or Event of Default has occurred and is continuing, all such amounts shall be payable to the Lessor.

(c) Except as provided in this Section 10, the Lessee shall bear the risk of loss and shall not be released from its obligations hereunder in the event of any damage to any Item of Leased Equipment or any Event of Loss relating thereto.

(d) In the case of a Requisition of Use of any Item of Leased Equipment for an indefinite period or for a stated period which does not exceed the then remaining term of this Lease, such Requisition of Use shall not terminate this Lease with respect to such Item and each and every obligation of the Lessee with respect thereto shall remain in full force and effect. So long as no Default or Event of Default shall have occurred and be continuing under this Lease, the Lessee shall be entitled to all sums, attributable to the period such Item is subject to this Lease, received by reason of any such Requisition of Use referred to in the preceding sentence, up to the amount of the Rent paid by the Lessee during the period of such Requisition of Use, and the Lessor shall be entitled to all amounts in excess of the Rent.

#### SECTION 11. Insurance.

At its own expense, the Lessee will cause to be carried and



maintained (i) casualty insurance with respect to each Item of Leased Equipment and (ii) public liability insurance, in each case in amounts and against risks customarily insured against by the Lessee on similar equipment owned or leased by it or, if the Lessee shall have no such similar equipment, in amounts and against risks comparable to those insured against by prudent railroad companies on similar equipment owned or leased by them; provided, however, that (1) the amounts and risk coverage of public liability insurance shall be satisfactory to the Lessor and the Trustee and (2) any policies with respect to such insurance shall (A) name the Lessor, the Lessee and the Trustee as assureds or additional assureds and loss payees as their interests may appear and (B) provide for at least 30 days' prior written notice by the insurance carrier to the Lessor in the event of cancelation, expiration or material modification.

## SECTION 12. Indemnification.

The Lessee agrees to assume liability for, and does hereby agree to indemnify and save harmless the Lessor from and against any and all liabilities, obligations, losses, damages, penalties, claims (including, without limitation, claims involving strict or absolute liability in tort), actions, costs and expenses (including, without limitation, legal fees and expenses) of any kind and nature whatsoever (Claims) which may be imposed on, incurred by or asserted against the Lessor, whether or not the Lessor shall also be indemnified as to any such Claim by any other Person, in any way relating to or arising out of this Lease or any document contemplated hereby, including, without limitation, the Indenture to the extent attributable to any Supplement, or the performance or enforcement of any of the terms hereof or thereof, or in any way relating to or arising out of the manufacture, purchase, acceptance, rejection, ownership, delivery, lease, sublease, possession, use, operation, maintenance, condition, sale, return, storage or disposition of any Item of Leased Equipment or any accident in connection therewith (including, without limitation, latent and other defects, whether or not discoverable and any Claim for patent or trademark infringement); provided, however, that the Lessee shall not be required to indemnify the Lessor for (a) any Claims in respect of any Item of Leased Equipment arising from acts or events which occur after possession of such Item of Leased Equipment has been redelivered to the Lessor in accordance with Section 17 hereof, or (b) any Claims resulting from acts which would constitute the willful misconduct or gross negligence of the Lessor. To the extent that the Lessor in fact receives indemnification payments from the Lessee under the indemnification provisions of this Section 12, the Lessee shall be subrogated, to the extent of such indemnity paid, to the Lessor's rights with respect to the transaction or event requiring or giving rise to such indemnity; provided, however, that the Lessee shall not enforce any such rights by legal proceedings without the Lessor's approval, which approval shall not be unreasonably withheld. THE LESSEE AGREES THAT THE LESSOR SHALL NOT BE LIABLE TO THE LESSEE FOR ANY CLAIM CAUSED DIRECTLY OR INDIRECTLY BY THE INADEQUACY OF ANY ITEM OF LEASED EQUIPMENT FOR ANY PURPOSE OR ANY DEFICIENCY OR DEFECT THEREIN OR THE USE OR MAINTENANCE THEREOF OR ANY REPAIRS, SERVICING OR ADJUSTMENTS THERETO OR ANY DELAY IN PROVIDING OR FAILURE TO PROVIDE ANY THEREOF OR ANY INTERRUPTION OR LOSS OF SERVICE OR USE THEREOF OR ANY LOSS OF

BUSINESS, ALL OF WHICH SHALL BE THE RISK AND RESPONSIBILITY OF THE LESSEE.

SECTION 13. Tax Indemnification.

(a) This Lease has been entered into on the basis that the Lessor shall be entitled to such deductions, credits and other benefits as are provided under federal, state and local law to an owner of property including, without limitation:

(1) the investment tax credit (the Investment Credit) allowed by Section 38 and related sections of the Internal Revenue Code of 1954, as amended to the date hereof (the Code), in an amount equal to the Investment Credit Percentage of Lessor's Cost of each Item of Leased Equipment set forth in Exhibit C hereto;

(2) the deductions for accelerated depreciation (the Depreciation Deductions) on each Item of Leased Equipment under various sections of the Code based upon the Depreciable Life, Depreciation Method and Net Salvage Value set forth in Exhibit C hereto; and

(3) the deductions under section 163 of the Code (the Interest Deductions) in the full amount of any interest paid or accrued by the Lessor in accordance with the Lessor's method of accounting for tax purposes with respect to any indebtedness incurred by the Lessor in financing its purchase of each Item of Leased Equipment.

(b) This Lease is to be entered into on the basis of, among other things, the following assumptions (the Assumptions): (i) at the time the Lessor becomes the owner of each Item of Leased Equipment, such Item will constitute "new section 38 property" within the meaning of sections 46 and 48 of the Code and at the time the Lessor becomes the owner of such Item, such Item of Leased Equipment will not have been used by any Person so as to preclude "the original use of such property" within the meaning of sections 48(b) and 167(c)(2) of the Code from commencing with the Lessor; (ii) each Item of Leased Equipment is an asset described in the Asset Guideline Class set forth under the heading Depreciable Life in Exhibit C hereto; (iii) the Lessee will not at any time during the term of this Lease use or fail to use any Item of Leased Equipment in such a way as to disqualify it as "section 38 property" within the meaning of section 48(a) of the Code; (iv) for federal income tax purposes, all amounts includible in the gross income of the Lessor with respect to each Item of Leased Equipment and all deductions allowable to the Lessor with respect to each Item of the Leased Equipment will be treated as derived from, or allocable to, sources within the United States; (v) the Lessee will maintain sufficient records to verify such use, which records will be furnished to the Lessor within 30 days after receipt of a written demand therefor; (vi) an amount equal to at least 20% of the Lessor's Cost of each Item of Leased Equipment is a reasonable estimate of what the fair market value of such Item will be on the Expiration Date with respect thereto without including in such value any increase or decrease for inflation or deflation and after subtracting from such value any cost to the Lessor for removal and delivery of

possession of such Item to the Lessor, and at least 20% of the original estimated useful life of such Item of Leased Equipment is a reasonable estimate of what the remaining useful life of such Item will be on the Expiration Date; (vii) the nature of each Item of Leased Equipment is such that, after the Expiration Date, it should be commercially feasible for a Person other than the Lessee to acquire and use such Item on terms consistent with the estimated residual value referred to in the foregoing clause (vi); and (viii) as of the date of delivery of each Item of Leased Equipment, the Lessor's Cost of such Item shall not be more than the fair market value thereof.

(c) If by reason of (1) the inaccuracy in law or in fact of any of the Assumptions set forth in paragraph (b) of this Section, (2) the inaccuracy of any statement in any letter or document or agreement furnished to the Lessor by or on behalf of the Lessee in connection with the financing contemplated by this Lease, or (3) the act, failure to act or omission of or by the Lessee, the Lessor shall lose, shall not have or shall lose the right to claim, or if there shall be disallowed or recaptured with respect to the Lessor, all or any portion of the Investment Credit, the Depreciation Deductions or the Interest Deductions with respect to an Item of Leased Equipment, or if the Lessor shall be required to treat as rent for federal, state or local tax purposes any amount in respect of any additions, modifications or improvements to any Item of Leased Equipment (any of the foregoing events being herein referred to as a Loss), then the Lessee shall pay to the Lessor within 10 days following written demand by the Lessor made after the date of the Loss an amount equal to the sum of all additional federal, state and local income taxes and interest, penalties and additions to tax attributable to the Loss paid by the Lessor (the Tax Payment) plus an additional amount sufficient to pay all federal, state and local income taxes of the Lessor resulting from the receipt of the Tax Payment. In addition, the Basic Lease Rate Factor applicable to such Item of Leased Equipment shall, on and after the Basic Rent Date next succeeding the date payment of the Tax Payment is demanded, be increased by an amount which, after deduction of all federal, state and local income taxes assumed to be payable by the Lessor on the receipt of additional Rent resulting from such increase, will, in the reasonable opinion of the Lessor, maintain the Lessor's net after-tax return and cash flows (computed using the same assumptions used by the Lessor in originally evaluating this transaction) with respect to such Item of Leased Equipment at the same level that would have been available if the Lessor had been entitled to use all the Investment Credit, Depreciation Deduction and Interest Deduction. Any such increase in the Basic Lease Rate Factor shall be determined by the Lessor and, at the Lessee's request and expense, shall be subject to an audit by an independent public accountant selected by the Lessor and reasonably acceptable to the Lessee.

(d) For purposes of this Section, a Loss shall occur upon the earliest of (1) the happening of any event (such as a disposition or change in the use of any Item of Leased Equipment) which may cause such Loss, (2) the payment by the Lessor to the Internal Revenue Service of the tax increase resulting from such Loss, or (3) the adjustment of the tax return of the Lessor to reflect such Loss. With respect to any Item of Leased Equipment, the Lessor shall be responsible for, and shall not be entitled to a payment

under this Section on account of, any Loss due to any event which by the terms of this Lease requires payment by the Lessee of the Casualty Value of such Item, if such Casualty Value is thereafter actually paid by the Lessee, to the extent that such payment reimburses the Lessor for amounts otherwise payable by the Lessee pursuant to this Section.

(e) All the Lessor's rights arising from the indemnities contained in this Section shall survive the expiration or other termination of this Lease with respect to any or all Items of Leased Equipment and such indemnities are expressly made for the benefit of, and shall be enforceable by, the Lessor, its successors and assigns.

#### SECTION 14. Right of First Refusal.

(a) Provided that no Default or Event of Default shall have occurred and be continuing hereunder, the Lessor agrees that, during the term of this Lease and for 270 days following the expiration of the term of this Lease or any extension thereof, it will not sell any Items of Leased Equipment unless the Lessor shall have given the Lessee at least 30 Business Days' prior written notice of any intended sale, specifying the sale price and the terms of such sale, and the Lessee shall have the opportunity during said period to purchase all but not less than all such Items of Leased Equipment at the same price and on the same terms as specified in such notice; provided, however, that in no event shall such price be less than the Fair Market Value of such Items of Leased Equipment.

(b) In the event the Lessee exercises such right of first refusal to purchase any Item of Leased Equipment, then, upon payment of the purchase price, the Lessor shall, upon request of the Lessee, execute and deliver to the Lessee, or to the Lessee's assignee or nominee, a bill of sale (without representations or warranties except that such Item of Leased Equipment is free and clear of all claims, liens, security interests and other encumbrances by or in favor of any Person claiming by, through or under the Lessor) for such Item of Leased Equipment, and such other documents as may be required to release such Item of Leased Equipment from the terms and scope of this Lease and to transfer title thereto to the Lessee or such assignee or nominee, in such form as may reasonably be requested by the Lessee, all at the Lessee's expense.

#### SECTION 15. Lease Extension.

(a) Provided that this Lease has not been terminated and no Default or Event of Default shall have occurred and be continuing hereunder, the Lessee shall have the option to extend the term of this Lease with respect to all, but not less than all, the Leased Equipment at the Expiration Date or at the end of any extended term of this Lease, as the case may be, for additional Lease Extension Periods as provided for in Exhibit C hereto, provided that the Lessee may not elect to extend the term of this Lease for more than such Lease Extension Periods as are provided for in said Exhibit C, for a rental equal to the Fair Market Rental Value thereof, determined as of such Expiration Date or as of the end of such extended term, as the case may be.

(b) Not less than 210 days prior to the Expiration Date or the end of any extended term of this Lease, as the case may be, with respect to all, but not less than all, the Leased Equipment, the Lessee may indicate, by written notice to the Lessor, the Lessee's interest in exercising the Lessee's lease extension option described above, which notice shall set forth the Lessee's estimate of the Fair Market Rental Value of the Leased Equipment as of such Expiration Date or as of the end of such extended term, as the case may be. If, on or before a date 180 days prior to such Expiration Date or the end of such extended term, as the case may be, the Lessor and the Lessee are unable to agree upon a determination of the Fair Market Rental Value of the Leased Equipment, such Fair Market Rental Value shall be determined in accordance with the procedure for Appraisal. After a determination of the Fair Market Rental Value of the Leased Equipment has been made in accordance with the procedure described above, the Lessee may exercise its option to extend the term of this Lease with respect to the Leased Equipment for the Fair Market Rental Value thereof by delivering written notice of such exercise to the Lessor not less than 60 days prior to the Expiration Date or the end of such extended term, as the case may be.

#### SECTION 16. Events of Default.

The term Event of Default, wherever used herein, shall mean any of the following events under this Lease:

(a) the Lessee shall fail to make any payment of Rent within 10 days after the same shall become due; or

(b) the Lessee shall fail to perform or observe any other covenant, condition or agreement to be performed or observed by it under this Lease, the Participation Agreement or any agreement, document or certificate delivered by the Lessee in connection herewith or therewith, or the Guarantor shall fail to perform any covenant, condition or agreement to be performed or observed by it under the Guarantee, and such failure by the Lessee or the Guarantor shall continue for 20 days after written notice thereof from the Lessor to the Lessee or the Guarantor, as the case may be; or

(c) any representation or warranty made by the Lessee in this Lease, the Participation Agreement or any agreement, document or certificate delivered by the Lessee in connection herewith or therewith, or any representation or warranty made by the Guarantor in the Guarantee or any agreement, document or certificate delivered by the Guarantor in connection therewith, shall prove to have been incorrect in any material respect when any such representation or warranty was made or given; or

(d) a petition in bankruptcy or for reorganization or arrangement shall be filed by the Lessee or the Guarantor; or the Lessee or the Guarantor shall make an assignment for the benefit of creditors or consent to the appointment of a trustee, custodian or a receiver, or a trustee, custodian or a receiver shall be appointed for the Lessee or the Guarantor, for any Item of Leased Equipment or for a substantial part of the Lessee's or the Guarantor's property without its consent and any such trustee, custodian or receiver shall not be dismissed within a period of 60 days;

or bankruptcy, reorganization or insolvency proceedings shall be instituted against the Lessee or the Guarantor and shall not be dismissed within a period of 60 days; or

(e) the Lessee or the Guarantor shall be in default under any material obligation for the payment of borrowed money or for the deferred purchase price of, or for the payment of any rent under any lease agreement covering, material real or personal property, and the applicable grace period with respect thereto shall have expired and the obligations shall not be duly contested in good faith; or

(f) the Lessee or the Guarantor shall suffer any judgment in excess of \$100,000 or shall suffer any judgment, writ of attachment or execution or any similar process (regardless of the underlying judgment or claim, as the case may be) to be issued or levied against the Leased Equipment, which judgment, writ or similar process is not released, stayed, bonded or vacated within 90 days after its issue or levy.

#### SECTION 17. Remedies.

(a) Upon the occurrence of any Event of Default and so long as the same shall be continuing (and the same shall not have been cured by the Guarantor), the Lessor may, at its option, declare this Lease to be in default by written notice to such effect given to the Lessee, and at any time thereafter, the Lessor may exercise one or more of the following remedies, as the Lessor in its sole discretion shall lawfully elect:

(1) Proceed by appropriate court action, either at law or in equity, to enforce performance by the Lessee of the applicable covenants of this Lease or to recover damages for the breach thereof.

(2) By notice in writing terminate this Lease, whereupon all rights of the Lessee to the use of the Leased Equipment shall absolutely cease and terminate but the Lessee shall remain liable as hereinafter provided; and thereupon the Lessee, if so requested by the Lessor, shall at its expense promptly return the Leased Equipment to the possession of the Lessor at such place as the Lessor shall designate and in the condition required upon the return thereof pursuant to and in accordance with the terms hereof, or the Lessor, at its option, may, subject to compliance with all mandatory requirements of law, enter upon the premises where the Leased Equipment is located and take immediate possession of and remove the same by summary proceedings or otherwise. The Lessee shall, without further demand, forthwith pay to the Lessor an amount equal to any unpaid Rent due and payable for all periods up to and including the Basic Rent Date following the date on which the Lessor has declared this Lease to be in default, plus, as liquidated damages for loss of a bargain and not as a penalty, an amount equal to the Casualty Value of the Leased Equipment then subject to this Lease, computed as of the Basic Rent Date following the date on which the Lessor has declared this Lease to be in default. Following the return of the Leased Equipment to the Lessor pursuant to this paragraph (2) the Lessor shall proceed to sell the Leased Equipment in such commer-

cially reasonable manner as it shall deem appropriate. The proceeds of such sale shall be applied by the Lessor (A) first, to pay all costs, charges and expenses, including reasonable legal fees and disbursements, incurred by the Lessor as a result of the default and the exercise of its remedies with respect thereto, (B) second, to pay to the Lessor an amount equal to any unpaid Rent due and payable and the Casualty Value, to the extent not previously paid, and (C) third, to reimburse the Lessee for the Casualty Value to the extent previously paid by the Lessee as liquidated damages; any surplus remaining thereafter shall be retained by the Lessor. To the extent that all Basic Rent then due and payable with respect to the Leased Equipment and the Casualty Value in respect of such Leased Equipment have not been previously paid, the Lessee shall forthwith pay to the Lessor the sum of (i) the amount by which (X) the sum of (a) all Basic Rent then due and payable with respect to the Leased Equipment, (b) the Casualty Value or portion thereof not theretofore paid, and (c) the amount payable under clause (A) of the next preceding sentence exceeds (Y) the sale price of the Leased Equipment, and (ii) interest at the Late Payment Rate on the full amount of the Casualty Value, computed from the date the Casualty Value is payable hereunder until such Casualty Value is paid by the Lessee.

(b) The Lessee shall be liable for all costs, charges and expenses, including reasonable legal fees and disbursements, incurred by the Lessor by reason of the occurrence of any Event of Default or the exercise of the Lessor's remedies with respect thereto.

(c) No remedy referred to herein is intended to be exclusive, but each shall be cumulative and in addition to any other remedy referred to above or otherwise available to the Lessor at law or in equity. No express or implied waiver by the Lessor of any Default or Event of Default hereunder shall in any way be, or be construed to be, a waiver of any future or subsequent Default or Event of Default. The failure or delay of the Lessor in exercising any rights granted it hereunder upon any occurrence of any of the contingencies set forth herein shall not constitute a waiver of any such right upon the continuation or recurrence of any such contingencies or similar contingencies and any single or partial exercise of any particular right by the Lessor shall not exhaust the same or constitute a waiver of any other right provided herein.

#### SECTION 18. Return of Leased Equipment.

If this Lease shall terminate pursuant to Section 17 hereof or the terms of this Lease shall otherwise expire in accordance with the terms hereof in respect of any Item of Leased Equipment, the Lessee shall forthwith deliver possession of such Item of Leased Equipment to the Lessor. Each Item of Leased Equipment so delivered shall be in the same operating order, repair and condition as when originally delivered to the Lessee, reasonable wear and tear excepted, and shall have attached or affixed thereto any addition, modification or improvement considered an accession thereto as provided in Section 8 and shall have removed therefrom at the Lessee's expense any addition, modification or improvement which, as provided in Section 8, is owned by the Lessee or, if the same is not so

removed, it shall be deemed to be an accession. For the purpose of delivering possession of any Item of Leased Equipment as above required, the Lessee shall at its own cost, expense and risk:

(a) forthwith and in the usual manner (including, but not by way of limitation, giving prompt telegraphic and written notice to the Association of American Railroads and all railroads to which any such Item of Leased Equipment has been interchanged or which may have possession thereof to return such Item of Leased Equipment) and at the usual speed, place such Item of Leased Equipment upon such storage tracks as the Lessor reasonably may designate; and

(b) cause such Item of Leased Equipment to be stored on such tracks at the risk of the Lessee without charge for insurance, rent or storage (i) until such Item of Leased Equipment has been sold, leased or otherwise disposed of by the Lessor if such termination occurs pursuant to Section 17 hereof or (ii) if the terms of the Lease shall have otherwise expired in accordance with the terms hereof, until the Period of Storage shall expire.

The assembling, delivery, storage and insurance of the Items of Leased Equipment as hereinabove provided shall be at the expense and risk of the Lessee and are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver and store the Items of Leased Equipment. During the Period of Storage, the Lessee will, at its own cost and expense if the Lease has been terminated pursuant to Section 17 hereof or, if the term of this Lease shall have otherwise expired, upon the request of the Lessor and at the Lessor's expense, maintain and keep the Items of Leased Equipment in good order and repair and will permit the Lessor or any Person designated by it, including the authorized representative or representatives of any prospective purchaser of any such Items of Leased Equipment, to inspect the same. All amounts earned in respect of the Items of Leased Equipment after the date of termination of this Lease shall belong to the Lessor and, if received by the Lessee, shall be promptly turned over to the Lessor. In the event any Item of Leased Equipment is not assembled, delivered and stored, as hereinabove provided, within 60 days after such termination, the Lessee shall in addition, pay to the Lessor for each day thereafter an amount equal to the amount, if any, by which the Basic Rent as set forth in Section 3(b)(2) hereof payable on the Basic Rent Date next preceding such termination (or the First Basic Rent Date in the event such termination shall occur prior thereto) for such Items of Leased Equipment divided by 30 (or 360 in the event such Basic Rent Date shall be the First Basic Rent Date) exceeds the actual earnings received by the Lessor for such Item of Leased Equipment for each such day.

Without in any way limiting the obligation of the Lessee under the foregoing provisions of this Section 18, the Lessee hereby irrevocably appoints the Lessor as the agent and attorney of the Lessee, with full power and authority, at any time while the Lessee is obligated to deliver possession of any Item of Leased Equipment to the Lessor, to demand and take possession of such Item of Leased Equipment in the name and on



behalf of the Lessee from whomsoever shall be in possession of such Item of Leased Equipment at the time.

SECTION 19. Special Terms and Modifications.

Any special terms or modifications set forth in Exhibit C hereto shall be applicable to this Lease as though fully set forth herein.

SECTION 20. Notices.

All communications and notices provided for herein shall be in writing and shall become effective when deposited in the United States mail, with proper postage for first-class mail, prepaid, addressed (a) if to the Lessor, at One Constitution Plaza, Hartford, Connecticut 06115, Attention: Corporate Trust Department (with copies to (1) Itel Corporation, Equipment Finance Division, at One Embarcadero Center, San Francisco, California 94111, Attention: Contract Administration, (2) the Trustee, at 79 South Main Street, Salt Lake City, Utah 84111, Attention: Trust Division, Corporate Trust Department, and (3) the Beneficiary, at its address set forth in Exhibit C hereto), and (b) if to the Lessee, at Traffic Department, 299 East Sixth Street, Cincinnati, Ohio 45201, Attention: Manager of Rail Transportation Section; or at such other address as any such Person may from time to time designate by notice duly given in accordance with the provisions of this Section 20 to the other parties hereto.

SECTION 21. Successors, Assigns and Indemnified Parties.

This Lease, including all agreements, covenants, representations and warranties, shall be binding upon and inure to the benefit of, and may be enforced by, (1) the Lessor and its successors, assigns, agents, servants and personal representatives, and, where the context so requires, (i) the Beneficiary and its successors and assigns and (ii) any holder of the obligations of the Lessor issued in connection with this Lease, (2) the Trustee, as assignee and secured party, (3) the successors, assigns, agents and personal representatives of the Trustee, as assignee and secured party, and (4) the Lessee and its successors and, to the extent permitted hereby, assigns. With respect to the provisions of Sections 5, 7 and 12 hereof, the Beneficiary, the Related Trust Estate, as such term is defined in the Trust Agreement, the Trustee, as assignee and secured party, the Lessor, in both its individual and fiduciary capacities, any holder of obligations of the Lessor issued in connection with the purchase or acquisition of the Leased Equipment, and the successors, assigns, agents, and personal representatives of the foregoing shall each be indemnified thereunder to the same extent as if named therein and, with respect to clause (b) of the proviso to Section 12 hereof, the willful misconduct or gross negligence of the Lessor or any one such Person shall not affect the rights of any other Person indemnified under such Section 12. With respect to the provisions of Section 13 hereof, the "Lessor", as used therein, shall mean the Beneficiary and the consolidated taxpayer group of which the Beneficiary is a member, and the Beneficiary and such group are hereby made third party beneficiaries for purposes of the provisions thereof.

SECTION 22. Amendments and Miscellaneous.

(a) The terms of this Lease shall not be waived, amended, supplemented or terminated in any manner whatsoever except by written instrument signed by the Lessor and the Lessee; provided, however, that no such waiver, amendment or supplement shall make any change, and no termination shall be made, which is prohibited by the Indenture or any Supplement without the consent of the Trustee.

(b) All agreements, indemnities, representations and warranties contained in this Lease, the Participation Agreement or any agreement, document or certificate delivered pursuant hereto or thereto or in connection herewith or therewith shall survive the execution and delivery of this Lease and the expiration or other termination of this Lease.

(c) Any provision of this Lease which may be determined by competent authority to be prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. To the extent permitted by applicable law, the Lessee hereby waives any provision of law which renders any provision hereof prohibited or unenforceable in any respect.

(d) This Lease shall constitute an agreement of lease and nothing herein shall be construed as conveying to the Lessee any right, title or interest in or to the Leased Equipment, except as lessee only.

(e) This Lease may be executed in any number of counterparts and by the different parties hereto on separate counterparts. This Lease, the Indenture and the Supplement shall be filed by the Lessee with the Interstate Commerce Commission in accordance with the applicable provisions of 49 U.S.C. § 11303 prior to the delivery and acceptance hereunder of any Item of Leased Equipment.

(f) This Lease shall be governed by, and construed in accordance with, the laws of the State of Ohio.

(g) Although this Lease is dated as of the date first above written for convenience, the actual dates of execution hereof by the parties hereto are respectively the dates set forth under the signatures hereto, and this Lease shall be effective on the latest of such dates.

IN WITNESS WHEREOF, the parties hereto have each caused this

Lease to be duly executed by their respective officers thereunto duly authorized.

THE CONNECTICUT BANK AND TRUST  
COMPANY, not in its individual  
capacity, but solely as trustee  
under a Master Trust Agreement  
dated as of November 2, 1978,  
between it and Itel Corporation,  
Equipment Finance Division,  
as Lessor

[SEAL]

By

  
Authorized Officer

Date JAN. 10, 1979<sub>80</sub>

THE PROCTER & GAMBLE PAPER PRODUCTS  
COMPANY,  
as Lessee

[SEAL]

By \_\_\_\_\_

Date \_\_\_\_\_, 1979

STATE OF CONNECTICUT, )  
 : ss.:  
COUNTY OF HARTFORD, )

On the 10th day of January 1979, before me personally appeared  
DONALD E. SMITH, who, being by me duly  
sworn, did say that he is an Authorized Officer of THE CONNECTICUT BANK  
AND TRUST COMPANY, that one of the seals affixed to the foregoing instru-  
ment is the seal of said corporation, and that said instrument was signed  
and sealed on behalf of said corporation, by authority of its by-laws and  
by resolution of its board of directors, and he acknowledged that the  
execution of the foregoing instrument was the free act and deed of said  
corporation.

Barbara S. Kacich  
Notary Public

My Commission expires

[NOTARIAL SEAL]

BARBARA S. KACICH  
NOTARY PUBLIC  
MY COMMISSION EXPIRES MARCH 31, 1982

STATE OF OHIO, )  
 : SS.:  
COUNTY OF HAMILTON ,)

On the                      day of                      1979, before me personally appeared                      , who, being by me duly sworn, did say that he is a                      of THE PROCTER & GAMBLE PAPER PRODUCTS COMPANY, that one of the seals affixed to the foregoing instrument is the seal of said corporation, and that said instrument was signed and sealed on behalf of said corporation by authority of its by-laws and by resolution of its board of directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Notary Public

My Commission expires

[NOTARIAL SEAL]

EXHIBIT A  
to Lease

DESCRIPTION OF EQUIPMENT

<u>Quantity</u>	<u>Manufacturer</u>	<u>Description and AAR Mechanical Designation</u>	<u>Lessee's Identification Numbers</u>	<u>Estimated Lessor's Cost Per Item</u>
150	FMC Corporation	70-ton 50' 6" Class XP Box Cars	GBW 16150 through 16299 (both inclusive)	\$42,043 f.o.b. Portland, Oregon

EXHIBIT B  
to Lease

CERTIFICATE OF ACCEPTANCE NO. \_\_\_\_

under

EQUIPMENT LEASE dated as of October 15, 1979 (the Lease), between THE CONNECTICUT BANK AND TRUST COMPANY, as lessor (the Lessor), not in its individual capacity, but solely as trustee under a Master Trust Agreement dated as of November 2, 1978, between it and ITEL Corporation, Equipment Finance Division, and THE PROCTER & GAMBLE PAPER PRODUCTS COMPANY, as lessee (the Lessee).

1. Items of Equipment. The Lessee hereby certifies that the Items of Equipment set forth and described in Schedule 1 hereto (which Schedule includes the amount of the Lessor's Cost of each such Item), have been delivered to and inspected by the Lessee, found to be in good order and accepted as Items of Leased Equipment under the Lease, all on the Date(s) of Acceptance set forth in Schedule 1 hereto.

2. Representations by the Lessee. The Lessee hereby represents and warrants to the Lessor, the Beneficiary, the Trustee and the Long-Term Lender, as such terms are defined in the Lease and in the Participation Agreement referred to in the Lease, that on the Date(s) of Acceptance set forth in Schedule 1 hereto:

(1) The representations and warranties of the Lessee set forth in the Participation Agreement are true and correct in all material respects as though made on and as of such Date(s) of Acceptance.

(2) The Lessee has satisfied or complied with all requirements set forth in the Participation Agreement, in any certificate of the Lessee and in the Lease to be satisfied or complied with on or prior to such Date(s) of Acceptance.

(3) No Default or Event of Default under the Lease has occurred

and is continuing on such Date(s) of Acceptance.

THE PROCTER & GAMBLE PAPER PRODUCTS  
COMPANY,  
as Lessee

By \_\_\_\_\_

Accepted on the Date(s) of Acceptance set forth in Schedule 1 hereto on behalf of the Lessor, THE CONNECTICUT BANK AND TRUST COMPANY, not in its individual capacity, but solely as trustee under a Master Trust Agreement dated as of November 2, 1978, between it and Itel Corporation, Equipment Finance Division,  
as Lessor

THE PROCTER & GAMBLE PAPER PRODUCTS  
COMPANY,  
as Authorized Representative

By \_\_\_\_\_

SCHEDULE 1 TO  
CERTIFICATE OF ACCEPTANCE NO. \_\_\_\_

Description of Equipment and Lessor's Cost:

<u>Quantity</u>	<u>Manufacturer</u>	<u>Description</u>	<u>Lessee's Identification Numbers</u>	<u>New</u>	<u>Lessor's Cost</u>	<u>Date(s) of Acceptance</u>
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Total \$ \_\_\_\_\_



EXHIBIT C  
to Lease

Date of Lease: As of October 15, 1979.

Beneficiary: J. P. Morgan Interfunding Corp.  
522 Fifth Avenue  
New York, N. Y. 10036  
Attention: Leasing Officer.

Rent Commencement Date: The Date of Acceptance as set forth  
in the Certificate of Acceptance appli-  
cable to such Item.

Late Payment Rate: For any period, the higher of 11% per  
annum or, if the Beneficiary so elects,  
a rate per annum equal to 1% above the  
rate of interest publicly announced  
by Morgan Guaranty Trust Company of  
New York from time to time as its  
Prime Rate, such rate elected to be  
applied from the beginning of any  
period for which the Late Payment Rate  
is to be in effect.

Basic Rent Dates: March 15, 1981, and the 15th day  
of each succeeding month to and  
including the Last Basic Rent Date.

Estimated First Delivery Date: January 3, 1980.

Final Delivery Date: June 30, 1980.

First Basic Rent Date: March 15, 1981.

Last Basic Rent Date: March 15, 1995.

Expiration Date: March 15, 1995.

Casualty Value Payment Dates: March 15, 1980, and the 15th day  
of each succeeding month.

Basic Lease Rate Factor: March 15, 1981 ): 12.2268%

April 15, 1981, )  
to and including ): 1.0189%  
March 15, 1985 )

April 15, 1985, )  
to and including ): .8337%  
March 15, 1990 )

EXHIBIT C  
to Lease

April 15, 1990, )  
to and including ): .4632%  
March 15, 1995 )

Lease Extension Periods:

Five periods of one year each.

Equipment Marking:

In letters not less than one inch in height: "Ownership Subject to a Security Agreement Filed with the Interstate Commerce Commission".

Period of Storage:

120 days.

Investment Credit Percentage:

10%.

Depreciable Life:

A 12-year depreciable life pursuant to section 167(m) of the Code for an asset described in Asset Guideline Class No. 00.25.

Depreciation Method:

The double-declining balance method switching to the sum-of-the-years digits method when most beneficial to the Beneficiary and without the prior consent of the Commissioner of Internal Revenue utilizing the "modified half-year" or "half-year" convention pursuant to Reg. section 1.167(a)-11(c)(2) and taking into account the Net Salvage Value of the Leased Equipment.

Net Salvage Value:

An amount equal to 10% of the Lessor's Cost of the Leased Equipment, which amount will be reduced by 10% of the Lessor's Cost as provided in section 167(f) of the Code.

EXHIBIT D  
to Lease

The Casualty Value of each Item of Leased Equipment shall be the percentage of Lessor's Cost of such Item set forth opposite the applicable Casualty Value Payment Date:

<u>Casualty Value Payment Date</u>	<u>Casualty Value (a) (b)</u>	<u>Casualty Value Payment Date</u>	<u>Casualty Value (a) (b)</u>
1	87.9756	41	78.8314
2	87.2160	42	78.4031
3	87.7421	43	77.9711
4	88.2718	44	77.5191
5	88.8050	45	77.0632
6	89.3419	46	76.6034
7	89.8824	47	76.1232
8	90.4265	48	75.6390
9	90.9743	49	75.1507
10	91.5259	50	74.6667
11	92.0811	51	74.1663
12	92.6401	52	73.6617
13	88.6694	53	73.1491
14	88.6504	54	72.6321
15	88.5455	55	72.1107
16	88.4393	56	71.5727
17	88.0767	57	71.0303
18	87.7110	58	70.4832
19	87.3421	59	69.9194
20	86.9270	60	69.3508
21	86.5085	61	68.7775
22	86.0865	62	68.3932
23	85.6610	63	67.9979
24	85.2319	64	67.5993
25	84.7992	65	67.1981
26	84.3787	66	66.7936
27	83.9411	67	66.3857
28	83.4997	68	65.9665
29	83.1838	69	65.5438
30	82.8650	70	65.1176
31	82.5434	71	64.6834
32	82.2051	72	64.2456
33	81.8639	73	63.8042
34	81.5197	74	63.3590
35	81.1587	75	62.9102
36	80.7945	76	62.4576
37	80.4271	77	62.0012
38	80.0510	78	61.5411
39	79.6552	79	61.0771
40	79.2560	80	60.6092

EXHIBIT D  
to Lease

<u>Casualty Value Payment Date</u>	<u>Casualty Value (a) (b)</u>	<u>Casualty Value Payment Date</u>	<u>Casualty Value (a) (b)</u>
81	60.1374	131	34.9970
82	59.6618	132	34.7341
83	59.1821	133	34.4689
84	58.6984	134	34.1930
85	58.2108	135	33.9190
86	57.7190	136	33.6427
87	57.2232	137	33.3598
88	56.7232	138	33.0745
89	56.2190	139	32.7867
90	55.7107	140	32.5008
91	55.1981	141	32.2124
92	54.6812	142	31.9215
93	54.1601	143	31.6324
94	53.6346	144	31.3407
95	53.1047	145	31.0466
96	52.5704	146	30.7532
97	52.0317	147	30.4630
98	51.4884	148	30.1704
99	50.9406	149	29.8843
100	50.3883	150	29.5956
101	49.8314	151	29.3045
102	49.2698	152	29.0167
103	48.7035	153	28.7263
104	48.1326	154	28.4334
105	47.5568	155	28.1438
106	46.9763	156	27.8516
107	46.3909	157	27.5569
108	45.8007	158	27.2674
109	45.2055	159	26.9851
110	44.6054	160	26.7003
111	44.0002	161	26.4306
112	43.3901	162	26.1547
113	42.7748	163	25.8726
114	42.1544	164	25.5940
115	41.5289	165	25.3093
116	40.9006	166	25.0182
117	40.2669	167	24.7307
118	39.6289	168	24.4369
119	38.9867	169	24.1367
120	38.3404	170	23.8352
121	37.6897	171	23.5396
122	37.4066	172	23.2377
123	37.1296	173	22.9466
124	36.8503	174	22.6493
125	36.5863	175	22.3456
126	36.3200	176	22.0478
127	36.0514	177	21.7437
128	35.7891	178	21.4332
129	35.5245	179	21.1286
130	35.2576	180	20.8176
		181	20.0000

(a) Casualty Values are expressed as percentages of Lessor's Cost. Such percentages have been computed without regard to recapture of Investment Credit. Consequently, such percentages applicable on the Casualty Value Payment Date where Casualty Values shall be payable with respect to an Event of Loss occurring before the third, fifth or seventh anniversary of the date of acceptance set forth in the Certificate of Acceptance for such Item shall be increased by the percentage of Lessor's Cost set forth below, and for purposes of this Lease, Casualty Values payable on such date shall be determined on the basis of the sum of such percentages:

<u>Anniversary of the Date of Acceptance</u>	<u>Percentage of Lessor's Cost To be Added to the Foregoing Percentage</u>
Third	24.3902%
Fifth	16.2602%
Seventh	8.1301%

(b) In the event the Basic Lease Rate Factor is increased pursuant to the tax indemnification provisions set forth in Section 13 of the Lease, Casualty Values shall be adjusted accordingly.

THE RIGHTS OF THE LESSOR UNDER THIS EQUIPMENT LEASE AND IN ALL EQUIPMENT COVERED HEREBY HAVE BEEN ASSIGNED TO, AND ARE SUBJECT TO A SECURITY INTEREST IN FAVOR OF, FIRST SECURITY BANK OF UTAH, N.A., AS TRUSTEE UNDER A TRUST INDENTURE DATED AS OF NOVEMBER 2, 1978, AS AMENDED AND SUPPLEMENTED. THIS EQUIPMENT LEASE HAS BEEN EXECUTED IN COUNTERPARTS.

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EQUIPMENT LEASE

Dated as of October 15, 1979

between

THE CONNECTICUT BANK AND TRUST COMPANY,  
not in its individual capacity, but solely  
as trustee under a Master Trust Agreement  
dated as of November 2, 1978,  
between it and Itel Corporation, Equipment Finance Division,  
as Lessor

and

THE PROCTER & GAMBLE PAPER PRODUCTS COMPANY,  
as Lessee

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## EQUIPMENT LEASE

THIS EQUIPMENT LEASE dated as of October 15, 1979 (the Lease), between THE CONNECTICUT BANK AND TRUST COMPANY, a Connecticut corporation, not in its individual capacity, but solely as trustee (the Lessor) under a Master Trust Agreement dated as of November 2, 1978 (the Trust Agreement), between it and Itel Corporation, Equipment Finance Division, and The Procter & Gamble Paper Products Company, an Ohio corporation (the Lessee).

### W I T N E S S E T H :

#### SECTION 1. Definitions; Construction of References.

In this Lease, unless the context otherwise requires, the following terms shall have the following meanings for all purposes of this Lease:

Abatements shall have the meaning set forth in Section 4 hereof.

Appraisal shall mean a procedure whereby two independent appraisers, one chosen by the Lessee and one by the Lessor, shall mutually agree upon the amount in question. The Lessor or the Lessee, as the case may be, shall deliver a written notice to the other party appointing its appraiser within 15 days after receipt from the other party of a written notice appointing that party's appraiser. If within 15 days after appointment of the two appraisers, the two appraisers are unable to agree upon the amount in question, a third independent appraiser shall be chosen within five days thereafter by the mutual consent of such first two appraisers or, if such first two appraisers fail to agree upon the appointment of a third appraiser, such appointment shall be made by an authorized representative of the American Arbitration Association or any organization successor thereto. The decision of the third appraiser so appointed and chosen shall be given within 10 days after the selection of such third appraiser and, upon receipt of such decision, the amount in question shall be definitively determined by averaging the respective decisions of all three appraisers, and thereafter such amount shall be binding and conclusive on the Lessor and the Lessee. The Lessor and the Lessee shall pay the fees and expenses of the respective appraisers appointed by them. The fees and expenses of the third appraiser, if any, shall either (A) be added to the purchase price of the Items of Leased Equipment appraised, if such Items should be purchased by the Lessee, or (B) if such Items should not be purchased by the Lessee, be paid by the Lessee as Supplemental Rent hereunder.

Basic Rent, Supplemental Rent and Rent shall have the meanings set forth in Section 3 hereof.



Beneficiary, Rent Commencement Date, Late Payment Rate, Basic Rent Dates, Estimated First Delivery Date, Final Delivery Date, First Basic Rent Date, Last Basic Rent Date, Expiration Date, Casualty Value Payment Dates, Basic Lease Rate Factor, Lease Extension Periods, Equipment Marking, Period of Storage, Investment Credit Percentage, Depreciable Life, Depreciation Method and Net Salvage Value shall have the meanings set forth in Exhibit C hereto.

Business Day shall have the meaning set forth in the Participation Agreement.

Casualty Value shall have the meaning set forth in Exhibit D hereto.

Certificate of Acceptance shall mean a certificate substantially in the form of Exhibit B hereto.

Claims shall have the meaning set forth in Section 12 hereof.

Closing Date shall have the meaning set forth in the Participation Agreement.

Code shall have the meaning set forth in Section 13 hereof.

Default shall mean an event which, after the giving of notice or lapse of time, or both, would mature into an Event of Default.

Depreciation Deductions, Interest Deductions and Investment Credit shall have the meanings set forth in Section 13 hereof.

Equipment, and individually an Item or Item of Equipment, shall mean the items of equipment described in Exhibit A hereto.

Event of Default shall have the meaning set forth in Section 16 hereof.

Event of Loss shall have the meaning set forth in Section 10 hereof.

Fair Market Rental Value of an Item of Leased Equipment shall be determined on the basis of, and shall mean the amount which would be obtainable in, an arm's-length transaction between an informed and willing lessee (other than a lessee currently in possession) under no compulsion to lease and an informed and willing lessor under no compulsion to lease, in accordance with a lease on terms and conditions as herein provided. If the Lessor and the

Lessee are unable to agree upon a determination of Fair Market Rental Value with respect to a particular Item of Leased Equipment, such Fair Market Rental Value shall be determined in accordance with the procedure for Appraisal.

Fair Market Value of an Item of Leased Equipment shall be determined on the basis of, and shall mean the amount which would be obtainable in, an arm's-length transaction between an informed and willing buyer or user (other than (i) a lessee currently in possession or (ii) a used equipment dealer) under no compulsion to buy and an informed and willing seller under no compulsion to sell, and in such determination costs of removal from the location of current use shall not be a deduction from such value. If the Lessor and the Lessee are unable to agree upon a determination of Fair Market Value with respect to a particular Item of Leased Equipment, such Fair Market Value shall be determined in accordance with the procedure for Appraisal.

Impositions shall have the meaning set forth in Section 7 hereof.

Indenture shall mean the Trust Indenture dated as of November 2, 1978, between First Security Bank of Utah, N.A., a national banking association (the Trustee), and the Lessor.

Lessor's Cost shall mean, with respect to any Item of Leased Equipment, the cost thereof set forth in the manufacturer's invoice therefor.

Leased Equipment, and individually an Item of Leased Equipment, shall have the meanings set forth in Section 2 hereof.

Liens and Lessor's Liens shall have the meanings set forth in Section 6 hereof.

Loss shall have the meaning set forth in Section 13 hereof.

Notes shall mean those promissory notes defined as Notes in the Participation Agreement issued in connection with the purchase of the Leased Equipment.

Participation Agreement shall mean the agreement, dated as of the date hereof, among the various parties thereto, including the Lessor, the Trustee, the Beneficiary, the Lessee and the entity named therein as the Long-Term Lender.

Person shall mean any individual, partnership, corporation, trust, unincorporated association or joint venture, a government or any department or agency thereof, or any other entity.

Purchase Documents shall mean those documents defined as "Purchase Documents" in the Participation Agreement.

Requisition of Use shall have the meaning set forth in Section 10 hereof.

Supplement shall mean the supplement to the Indenture creating a separate series of Notes for issuance in connection with the purchase of the Leased Equipment.

## SECTION 2. Lease of Equipment.

Subject to the terms and conditions of this Lease, the Lessor agrees to lease to the Lessee, and the Lessee agrees to lease from the Lessor, such Items of Equipment as the Lessor shall have acquired, or become obligated to pay for, pursuant to the Purchase Documents (Leased Equipment, and individually an Item of Leased Equipment). Subject to the provisions of the Participation Agreement, upon delivery of each Item of Equipment to the Lessor on or after the Estimated First Delivery Date, but on or before the Final Delivery Date, the Lessee will either (a) cause an authorized representative of the Lessee to inspect the same and, if such Item is found to be in good order, to accept such Item and to execute and deliver a Certificate of Acceptance with respect thereto, or (b) if the Lessee, acting in good faith, should find that such Item is not in good order, return the same to the manufacturer thereof. Each Item of Leased Equipment delivered to the Lessee in accordance with the Purchase Documents shall be subject to the terms and conditions of this Lease from the date the Lessor shall have acquired, or become obligated to pay for, such Item.

## SECTION 3. Term and Rent.

(a) The term of this Lease shall begin with respect to each Item of Equipment on the date such Item of Equipment shall become an Item of Leased Equipment hereunder and shall end on the Expiration Date, unless this Lease shall have been terminated, or the term of this Lease shall have been extended, by the terms hereof.

(b) The Lessee hereby promises to pay to the Lessor as basic rent (herein referred to as Basic Rent) for each Item of Leased Equipment on the First Basic Rent Date and on each Basic Rent Date thereafter to and including the Last Basic Rent Date, an amount equal to the Basic Lease Rate Factor multiplied by the Lessor's Cost of such Item of Leased Equipment.

(c) The Lessee shall pay to the Lessor the following amounts (herein referred to as Supplemental Rent and, together with

all Basic Rent, as Rent):

(1) on demand, any amount payable hereunder (other than Basic Rent and Casualty Value, if any) which the Lessee assumes the obligation to pay, or agrees to pay, under this Lease to the Lessor or others;

(2) on the date provided herein, any amount payable hereunder as Casualty Value, if any; and

(3) on demand, to the extent permitted by applicable law, interest (computed on the basis of a 360-day year of 12 30-day months) at the Late Payment Rate on any payment of Basic Rent or Casualty Value, if any, not paid when due for any period during which the same shall be overdue.

(d) Subject to the provisions of the Participation Agreement, all payments of Rent hereunder shall be made so that the Lessor shall have immediately available funds no later than 11:00 A.M. New York City time on the date payable hereunder and shall be paid to the Lessor at its address set forth herein or at such other address or to such other Person as the Lessor may direct by notice in writing to the Lessee.

#### SECTION 4. Net Lease.

This Lease is a net lease, and the Lessee agrees that the Lessee's obligation to pay all Rent hereunder, and the rights of the Lessor in and to such Rent, shall be absolute and unconditional and shall not be subject to any abatement, reduction, set-off, defense, counterclaim or recoupment (Abatements) for any reason whatsoever, including, without limitation, Abatements due to any present or future claims of the Lessee against the Lessor under this Lease or otherwise, against the manufacturer of any Item of Leased Equipment, or against any other Person for whatever reason. Except as otherwise expressly provided herein, this Lease shall not terminate, nor shall the obligations of the Lessee be affected by reason of any defect in or damage to, or any loss or destruction of, the Leased Equipment or any Item thereof from whatsoever cause, or the interference with the use thereof by the Lessor or any other Person, or the invalidity or unenforceability or lack of due authorization of this Lease or any failure of the Lessor to perform any obligation of the Lessor to the Lessee or any other Person under this Lease, the Participation Agreement or any instrument or document executed in connection herewith, or for any other cause, whether similar or dissimilar to the foregoing, any present or future law or regulation to the contrary notwithstanding, it being the express intention of the Lessor and the Lessee that all Rent payable by the Lessee hereunder shall be, and continue to be, payable in all events unless the obligation to pay the same shall be terminated pursuant to the express provisions of this Lease.

#### SECTION 5. Warranty of the Lessor.

(a) The Lessor warrants that during the term of this Lease,

if no Event of Default has occurred, the Lessee's use of the Leased Equipment shall not be interrupted by the Lessor or anyone claiming solely through or under the Lessor.

(b) The warranty set forth in paragraph (a) of this Section 5 is in lieu of all other warranties of the Lessor, whether written, oral or implied with respect to this Lease or the Leased Equipment, and the Lessor shall not be deemed to have modified in any respect the obligations of the Lessee pursuant to Section 4 hereof, which obligations are absolute and unconditional. THE LESSEE EXPRESSLY AGREES TO LEASE EACH ITEM OF LEASED EQUIPMENT "AS IS". THE LESSOR SHALL NOT BE DEEMED TO HAVE MADE, AND THE LESSOR HEREBY DISCLAIMS, ANY OTHER REPRESENTATION OR WARRANTY, EITHER EXPRESS OR IMPLIED, AS TO ANY MATTER WHATSOEVER, INCLUDING, WITHOUT LIMITATION, TITLE TO THE LEASED EQUIPMENT, THE DESIGN OR CONDITION OF THE LEASED EQUIPMENT, ITS MERCHANTABILITY OR ITS FITNESS FOR ANY PARTICULAR PURPOSE, THE QUALITY OF THE MATERIAL OR WORKMANSHIP OF THE LEASED EQUIPMENT OR CONFORMITY OF THE LEASED EQUIPMENT TO THE PROVISIONS AND SPECIFICATIONS OF ANY PURCHASE ORDER OR ORDERS RELATING THERETO, NOR SHALL THE LESSOR BE LIABLE FOR INCIDENTAL OR CONSEQUENTIAL DAMAGES (INCLUDING STRICT OR ABSOLUTE LIABILITY IN TORT), but the Lessor authorizes the Lessee, at the Lessee's expense, to assert for the Lessor's account, during the term of this Lease, so long as no Default or Event of Default shall have occurred and be continuing hereunder, all the Lessor's rights under any applicable manufacturer's warranty and the Lessor agrees to cooperate with the Lessee in asserting such rights; provided, however, that the Lessee shall indemnify the Lessor and hold the Lessor harmless from and against any and all claims, and all costs, expenses, damages, losses and liabilities incurred or suffered by the Lessor in connection with, as a result of, or incidental to, any action by the Lessee pursuant to the above authorization. Any amount received by the Lessee as payment under any such warranty shall be applied to restore the Leased Equipment to the condition required by Section 8 hereof; provided further, however, that in the event a Default or an Event of Default shall have occurred and be continuing, any such amount shall be paid to and retained by the Lessor.

#### SECTION 6. Liens.

The Lessee will not directly or indirectly create, incur, assume or suffer to exist any mortgage, lien, security interest, charge, claim or other encumbrance (Liens) on or with respect to the Leased Equipment, the Lessor's title thereto or any interest of the Lessor therein (and the Lessee will promptly, at its own expense, take such action as may be necessary duly to discharge any such Lien), except (a) the respective rights of the Lessor and the Lessee as herein provided, (b) Liens created or granted by the Lessor or resulting from claims against the Lessor not related to the transactions contemplated hereby (Lessor's Liens), (c) Liens for taxes either not yet due or being duly contested by the Lessee in good faith, if counsel for the Lessor shall have determined that the nonpayment of any such tax or the contest of any such payment in such proceedings does not, in the opinion of such counsel, adversely affect the title, property or rights of the Lessor, and (d) inchoate materialmen's, mechanics', workmen's, repairmen's, employees' or other like Liens arising in the ordinary course of business of the Lessee and not delinquent.

## SECTION 7. Taxes.

The Lessee agrees to pay and to indemnify and hold harmless the Lessor for all income, franchise, sales, use, personal property, ad valorem, value added, leasing, leasing use, stamp or other taxes, levies, imposts, duties, charges, or withholdings of any nature, together with any penalties, fines or interest thereon (Impositions), arising out of the transactions contemplated by this Lease or any Supplement and imposed against the Lessor, the Lessee or any Item of Leased Equipment by any federal, state, local or foreign government or taxing authority (a) upon or with respect to any Item of Leased Equipment, (b) upon the sale, purchase, ownership, delivery, leasing, possession, use, operation, return or other disposition of any Item of Leased Equipment, (c) upon the rentals, receipts or earnings arising from any Item of Leased Equipment or (d) upon or with respect to this Lease (any matter referred to in the foregoing clauses (a), (b), (c) and (d) being hereinafter referred to as an Equipment Tax Event) (excluding, however, taxes, including without limitation franchise taxes, (i) based on, or measured solely by, the net income of the Lessor and (ii) imposed (A) by the United States or the state or local jurisdiction in which the Beneficiary has its principal place of business or (B) any state or local jurisdiction subjecting the Beneficiary to taxes based on, or measured solely by, the net income of the Beneficiary by reason of any business or transaction not related to an Equipment Tax Event), unless, and only to the extent that, the Lessee shall have given to the Lessor written notice of any such Imposition, stating that such Imposition is being duly contested by the Lessee in good faith and counsel for the Lessor shall have determined that the nonpayment or contest of payment in such proceedings does not, in the opinion of such counsel, adversely affect the title, property or rights of the Lessor. If a claim is made against the Lessee or the Lessor for any Imposition, the party receiving notice of such claim shall promptly notify the other. In case any report or return is required to be made with respect to any obligation of the Lessee under, or arising out of, this Section 7, the Lessee will either (after notice to the Lessor) make such report or return in such manner as will show the ownership of the Leased Equipment in the Lessor and send a copy thereof to the Lessor or will notify the Lessor of such requirement and make such report or return in such manner as shall be satisfactory to the Lessor. The Lessor agrees to cooperate fully with the Lessee in the preparation of any such report or return.

## SECTION 8. Use, Maintenance and Operation; Equipment Marking.

(a) The Lessee agrees that each Item of Leased Equipment will be used, or is intended for use, in connection with interstate commerce and will be used in compliance with any and all statutes, laws, ordinances and regulations of any governmental agency applicable to the use thereof and the rules of the Association of American Railroads pertaining to the possession, use, operation and maintenance of each such Item, and the Lessee agrees to prepare and deliver to the Lessor within a reasonable time prior to the required date of filing (or, to the extent permissible, file on behalf of the Lessor) any and all reports (other than income tax returns, except as provided in Section 7 hereof) to be filed by the Lessor with any federal, state or other regulatory authority by reason of ownership by the Lessor of the Items of Leased Equipment or the leasing thereof

to the Lessee. Throughout the term of this Lease, the possession, use and maintenance of each Item of Leased Equipment shall be at the sole risk and expense of the Lessee.

(b) So long as no Default or Event of Default exists and is continuing hereunder, the Lessee shall be entitled to the possession and use of each Item of Leased Equipment in accordance with the terms of this Lease. Without the prior written consent of the Lessor, the Lessee shall not assign or transfer its leasehold interest under this Lease in all or any of the Leased Equipment except as hereinafter provided in this paragraph; and the Lessee shall not, without the prior written consent of the Lessor, sublease or part with the possession or control of, or suffer or allow to pass out of its possession or control, any of the Leased Equipment, except to the extent hereinafter provided in this paragraph. The Lessee shall be entitled to the use of each Item of Leased Equipment upon lines of railroad owned, if any, or operated by it or any affiliate of the Lessee or upon lines of railroad, if any, over which the Lessee or any such affiliate has trackage or other operating rights or over which railroad equipment of the Lessee or any such affiliate is operated pursuant to contract or otherwise and shall be entitled to permit the use of the Leased Equipment upon connecting and other carriers in the usual interchange of traffic or pursuant to runthrough agreements and, without relieving the Lessee of its liability hereunder, to assign its rights to any and all Items of Leased Equipment or to sublease such Items of Leased Equipment to Green Bay and Western Railroad Co. or any other Person, but only upon and subject to all the terms and conditions of this Lease; provided, however, that the Lessee shall not assign, sublease or use or permit the assignment, sublease or use of any Item of Leased Equipment predominantly outside the United States of America within the meaning of Section 48(a) of the Code, nor shall the Lessee assign or sublease to, or permit the sublease to or use of any Item of Leased Equipment by, any Person in whose hands such Item would not qualify as "section 38 property" within the meaning of the Code; and, provided, further, however, that in the case of any such assignment, transfer, sublease (other than a sublease to Green Bay and Western Railroad Co.) or parting with possession or control, the Lessor shall have been given 30 days' prior written notice and shall, at its request, be provided with copies of any instrument used to effectuate the same. So long as no Event of Default shall exist hereunder, the Lessee may receive and retain compensation for the use of any of the Items of Leased Equipment from railroads or other entities so using such Items; provided, however, that in the event a Default or an Event of Default shall have occurred and be continuing, any such compensation shall be paid to and retained by the Lessor.

Nothing in this Section 8 shall be deemed to restrict the right of the Lessee to assign or transfer its leasehold interest under this Lease or possession of the Leased Equipment to any corporation incorporated under the laws of any state of the United States of America or the District of Columbia (which shall have duly assumed the obligations of the Lessee hereunder) into or with which the Lessee shall have become merged or consolidated or which shall have acquired the property of the Lessee as an entirety or substantially as an entirety, provided that such assignee or transferee will not, upon the effectiveness of such merger, consolidation or acquisition, be in default under any provision of this Lease; provided, however, that if the Lessee shall continue in existence

after any such corporate change, it shall also continue to remain liable with respect to the obligations of the Lessee hereunder, unless the Lessor shall otherwise consent in writing, notwithstanding any such assumption by a successor to the Lessee, as aforesaid.

(c) The Lessee agrees to comply in all respects (including without limitation with respect to the use, maintenance and operation of each Item of Leased Equipment) with all laws of the jurisdictions in which its operations involving the Items of Leased Equipment may extend, with the interchange rules of the Association of American Railroads and with all lawful rules of the United States Department of Transportation, the Interstate Commerce Commission and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Items of Leased Equipment, to the extent that such laws and rules affect the title, operation or use of the same, and in the event that such laws or rules require any alteration, replacement or addition of or to any part on any Item of Leased Equipment, the Lessee will conform therewith at its own expense; provided, however, that the Lessee may at its own expense, in good faith, contest the validity or application of any such law or rule in any reasonable manner which does not, in the opinion of the Lessor, adversely affect the Lessor's title to the Leased Equipment or its property or rights under this Lease.

(d) The Lessee agrees that, at its own cost and expense, it will maintain and keep each Item of Leased Equipment (including any parts installed on or replacements made to any Unit and considered an accession thereto as hereinbelow provided) which is subject to this Lease in as good operating order, repair and condition as when the Equipment shall have become subject to this Lease, ordinary wear and tear excepted, in accordance with the Interchange Rules of the Association of American Railroads and in the same condition as other similar equipment owned or leased by the Lessee. The Lessee, at its own cost and expense, may from time to time make such other additions, modifications and improvements to any Item of Leased Equipment during the term of this Lease as are readily removable without causing material damage to such Items of Leased Equipment (and do not adversely affect the value of such Items of Leased Equipment). The additions, modifications and improvements made by the Lessee under the preceding sentence shall be owned by the Lessee, except to the extent such additions, modifications or improvements are made in order to comply with the next sentence hereof. Any additions, modifications and improvements made to any Item of Leased Equipment (i) which are not readily removable without causing material damage to such Item, (ii) the cost of which is included in the Lessor's Cost, (iii) in the course of ordinary maintenance of such Item of Leased Equipment, or (iv) which are required for the operation or use of such Item of Leased Equipment by the interchange rules of the Association of American Railroads or by the regulations of the Interstate Commerce Commission, the Department of Transportation or any other applicable regulatory body, shall constitute accessions to such Item of Leased Equipment and full ownership thereof free from any lien, charge, security interest or encumbrance (except for those created by the Lessor) shall immediately be vested in the Lessor and shall be deemed to be part of the Leased Equipment for purposes of this Lease.



(e) The Lessee agrees, at its own cost and expense, to (1) cause each Item of Leased Equipment to be kept numbered with the identification number therefor as specified in the Certificate of Acceptance therefor, and (2) maintain the Equipment Marking on each Item of Leased Equipment and such other markings as from time to time may be required by law or otherwise deemed necessary by the Lessor in order to protect the title of the Lessor to such Item of Leased Equipment, the rights of the Lessor under this Lease and the Liens granted by the Lessor in financing the Lessor's Cost of the Leased Equipment. The Lessee will not place any Item of Leased Equipment in operation or exercise any control or dominion over the same until such Equipment Marking has been placed thereon. The Lessee will replace promptly any such Equipment Marking which may be removed, defaced or destroyed.

#### SECTION 9. Inspection and Reports.

On or before March 31 in each year, commencing with the calendar year 1981, the Lessee will furnish to the Lessor and the Trustee an accurate statement (a) setting forth as at the preceding December 31 the total number, description and identification numbers of all Items of Leased Equipment then leased hereunder, the total number, description and identification numbers of all Items of Leased Equipment that have suffered an Event of Loss during the preceding calendar year or are then undergoing repairs (other than running repairs) or then withdrawn from use pending repair (other than running repairs) and setting forth such other information regarding the condition and state of repair thereof as the Lessor or the Trustee may reasonably request, (b) stating that, in the case of all Items of Leased Equipment repainted or repaired during the period covered by such statement, the numbers and markings required by Section 8 hereof have been preserved or replaced, (c) further stating that the Lessee is in compliance under this Lease and (d) setting forth the insurance coverage then being maintained pursuant to, and stating that such coverage is in compliance with, Section 11 hereof, the Lessor having the right to inspect any applicable insurance documentation upon reasonable prior written request therefor. The Lessor and the Trustee shall each have the right (but not the obligation) by its agents to inspect the Items of Leased Equipment and the Lessee's records with respect thereto at such reasonable times as the Lessor or the Trustee may request during the continuance of this Lease.

#### SECTION 10. Loss or Destruction; Requisition of Use.

(a) In the event that any Item of Leased Equipment shall be or become irreparably damaged, destroyed, lost, stolen, or permanently rendered unfit for use for any reason whatsoever, or title thereto or use thereof shall be requisitioned or otherwise taken by any governmental authority under power of eminent domain or otherwise (any such taking being herein referred to as a Requisition of Use) for a stated period which exceeds the then remaining term of this Lease (any of such occurrences being referred to as an Event of Loss), the Lessee shall promptly notify the Lessor of such Event of Loss. On the Casualty Value Payment Date next following the date of such Event of Loss, the Lessee shall pay to the Lessor the Casualty Value of such Item of Leased Equipment determined as of such Casualty Value Payment Date, together with any Rent then

due. Upon making such Casualty Value payment in respect of such Item of Leased Equipment and all Rent due and owing with respect thereto, the Lessee's obligation to pay further Basic Rent for such Item of Leased Equipment shall cease, but the Lessee's obligation to pay Supplemental Rent, if any, for such Item of Leased Equipment, shall remain unchanged. Except in the case of loss, theft or destruction, the Lessor shall be entitled to recover possession of such Item. The Lessor shall be under no duty to the Lessee to pursue any claim against any governmental authority, but the Lessee may at its own cost and expense pursue the same on behalf of the Lessor in such manner as may be satisfactory to the Lessor.

(b) Following payment of the Casualty Value of an Item of Leased Equipment in accordance with the provisions of paragraph (a) of this Section 10, the Lessee, if possible, shall, as agent for the Lessor, dispose of such Item as soon as it is able to do so for the best price obtainable. Any such disposition shall be on an as is, where is basis without recourse, representation or warranty, express or implied. As to each separate Item of Leased Equipment so disposed of, the amounts of such price shall be paid to the Lessor, unless (i) no Default or Event of Default has occurred and is continuing and (ii) the Lessee shall have paid the Lessor the amounts specified in paragraph (a) of this Section 10, in which case the Lessee may retain all amounts of such price up to the Casualty Value thereof and the Lessee's reasonable costs and expenses of disposition attributable thereto, and shall remit the excess, if any, to the Lessor. With respect to a Requisition of Use of any Item of Leased Equipment for a stated period which exceeds the then remaining term of this Lease, the Lessor agrees that, unless a Default or Event of Default has occurred and is continuing, the Lessee shall receive and retain all amounts paid by any governmental authority up to the Casualty Value paid by the Lessee to the Lessor hereunder, and any excess shall be paid over and retained by the Lessor and that, if a Default or Event of Default has occurred and is continuing, all such amounts shall be payable to the Lessor.

(c) Except as provided in this Section 10, the Lessee shall bear the risk of loss and shall not be released from its obligations hereunder in the event of any damage to any Item of Leased Equipment or any Event of Loss relating thereto.

(d) In the case of a Requisition of Use of any Item of Leased Equipment for an indefinite period or for a stated period which does not exceed the then remaining term of this Lease, such Requisition of Use shall not terminate this Lease with respect to such Item and each and every obligation of the Lessee with respect thereto shall remain in full force and effect. So long as no Default or Event of Default shall have occurred and be continuing under this Lease, the Lessee shall be entitled to all sums, attributable to the period such Item is subject to this Lease, received by reason of any such Requisition of Use referred to in the preceding sentence, up to the amount of the Rent paid by the Lessee during the period of such Requisition of Use, and the Lessor shall be entitled to all amounts in excess of the Rent.

#### SECTION 11. Insurance.

At its own expense, the Lessee will cause to be carried and

maintained (i) casualty insurance with respect to each Item of Leased Equipment and (ii) public liability insurance, in each case in amounts and against risks customarily insured against by the Lessee on similar equipment owned or leased by it or, if the Lessee shall have no such similar equipment, in amounts and against risks comparable to those insured against by prudent railroad companies on similar equipment owned or leased by them; provided, however, that (1) the amounts and risk coverage of public liability insurance shall be satisfactory to the Lessor and the Trustee and (2) any policies with respect to such insurance shall (A) name the Lessor, the Lessee and the Trustee as assureds or additional assureds and loss payees as their interests may appear and (B) provide for at least 30 days' prior written notice by the insurance carrier to the Lessor in the event of cancelation, expiration or material modification.

#### SECTION 12. Indemnification.

The Lessee agrees to assume liability for, and does hereby agree to indemnify and save harmless the Lessor from and against any and all liabilities, obligations, losses, damages, penalties, claims (including, without limitation, claims involving strict or absolute liability in tort), actions, costs and expenses (including, without limitation, legal fees and expenses) of any kind and nature whatsoever (Claims) which may be imposed on, incurred by or asserted against the Lessor, whether or not the Lessor shall also be indemnified as to any such Claim by any other Person, in any way relating to or arising out of this Lease or any document contemplated hereby, including, without limitation, the Indenture to the extent attributable to any Supplement, or the performance or enforcement of any of the terms hereof or thereof, or in any way relating to or arising out of the manufacture, purchase, acceptance, rejection, ownership, delivery, lease, sublease, possession, use, operation, maintenance, condition, sale, return, storage or disposition of any Item of Leased Equipment or any accident in connection therewith (including, without limitation, latent and other defects, whether or not discoverable and any Claim for patent or trademark infringement); provided, however, that the Lessee shall not be required to indemnify the Lessor for (a) any Claims in respect of any Item of Leased Equipment arising from acts or events which occur after possession of such Item of Leased Equipment has been redelivered to the Lessor in accordance with Section 17 hereof, or (b) any Claims resulting from acts which would constitute the willful misconduct or gross negligence of the Lessor. To the extent that the Lessor in fact receives indemnification payments from the Lessee under the indemnification provisions of this Section 12, the Lessee shall be subrogated, to the extent of such indemnity paid, to the Lessor's rights with respect to the transaction or event requiring or giving rise to such indemnity; provided, however, that the Lessee shall not enforce any such rights by legal proceedings without the Lessor's approval, which approval shall not be unreasonably withheld. THE LESSEE AGREES THAT THE LESSOR SHALL NOT BE LIABLE TO THE LESSEE FOR ANY CLAIM CAUSED DIRECTLY OR INDIRECTLY BY THE INADEQUACY OF ANY ITEM OF LEASED EQUIPMENT FOR ANY PURPOSE OR ANY DEFICIENCY OR DEFECT THEREIN OR THE USE OR MAINTENANCE THEREOF OR ANY REPAIRS, SERVICING OR ADJUSTMENTS THERETO OR ANY DELAY IN PROVIDING OR FAILURE TO PROVIDE ANY THEREOF OR ANY INTERRUPTION OR LOSS OF SERVICE OR USE THEREOF OR ANY LOSS OF

BUSINESS, ALL OF WHICH SHALL BE THE RISK AND RESPONSIBILITY OF THE LESSEE.

SECTION 13. Tax Indemnification.

(a) This Lease has been entered into on the basis that the Lessor shall be entitled to such deductions, credits and other benefits as are provided under federal, state and local law to an owner of property including, without limitation:

(1) the investment tax credit (the Investment Credit) allowed by Section 38 and related sections of the Internal Revenue Code of 1954, as amended to the date hereof (the Code), in an amount equal to the Investment Credit Percentage of Lessor's Cost of each Item of Leased Equipment set forth in Exhibit C hereto;

(2) the deductions for accelerated depreciation (the Depreciation Deductions) on each Item of Leased Equipment under various sections of the Code based upon the Depreciable Life, Depreciation Method and Net Salvage Value set forth in Exhibit C hereto; and

(3) the deductions under section 163 of the Code (the Interest Deductions) in the full amount of any interest paid or accrued by the Lessor in accordance with the Lessor's method of accounting for tax purposes with respect to any indebtedness incurred by the Lessor in financing its purchase of each Item of Leased Equipment.

(b) This Lease is to be entered into on the basis of, among other things, the following assumptions (the Assumptions): (i) at the time the Lessor becomes the owner of each Item of Leased Equipment, such Item will constitute "new section 38 property" within the meaning of sections 46 and 48 of the Code and at the time the Lessor becomes the owner of such Item, such Item of Leased Equipment will not have been used by any Person so as to preclude "the original use of such property" within the meaning of sections 48(b) and 167(c)(2) of the Code from commencing with the Lessor; (ii) each Item of Leased Equipment is an asset described in the Asset Guideline Class set forth under the heading Depreciable Life in Exhibit C hereto; (iii) the Lessee will not at any time during the term of this Lease use or fail to use any Item of Leased Equipment in such a way as to disqualify it as "section 38 property" within the meaning of section 48(a) of the Code; (iv) for federal income tax purposes, all amounts includible in the gross income of the Lessor with respect to each Item of Leased Equipment and all deductions allowable to the Lessor with respect to each Item of the Leased Equipment will be treated as derived from, or allocable to, sources within the United States; (v) the Lessee will maintain sufficient records to verify such use, which records will be furnished to the Lessor within 30 days after receipt of a written demand therefor; (vi) an amount equal to at least 20% of the Lessor's Cost of each Item of Leased Equipment is a reasonable estimate of what the fair market value of such Item will be on the Expiration Date with respect thereto without including in such value any increase or decrease for inflation or deflation and after subtracting from such value any cost to the Lessor for removal and delivery of

possession of such Item to the Lessor, and at least 20% of the original estimated useful life of such Item of Leased Equipment is a reasonable estimate of what the remaining useful life of such Item will be on the Expiration Date; (vii) the nature of each Item of Leased Equipment is such that, after the Expiration Date, it should be commercially feasible for a Person other than the Lessee to acquire and use such Item on terms consistent with the estimated residual value referred to in the foregoing clause (vi); and (viii) as of the date of delivery of each Item of Leased Equipment, the Lessor's Cost of such Item shall not be more than the fair market value thereof.

(c) If by reason of (1) the inaccuracy in law or in fact of any of the Assumptions set forth in paragraph (b) of this Section, (2) the inaccuracy of any statement in any letter or document or agreement furnished to the Lessor by or on behalf of the Lessee in connection with the financing contemplated by this Lease, or (3) the act, failure to act or omission of or by the Lessee, the Lessor shall lose, shall not have or shall lose the right to claim, or if there shall be disallowed or recaptured with respect to the Lessor, all or any portion of the Investment Credit, the Depreciation Deductions or the Interest Deductions with respect to an Item of Leased Equipment, or if the Lessor shall be required to treat as rent for federal, state or local tax purposes any amount in respect of any additions, modifications or improvements to any Item of Leased Equipment (any of the foregoing events being herein referred to as a Loss), then the Lessee shall pay to the Lessor within 10 days following written demand by the Lessor made after the date of the Loss an amount equal to the sum of all additional federal, state and local income taxes and interest, penalties and additions to tax attributable to the Loss paid by the Lessor (the Tax Payment) plus an additional amount sufficient to pay all federal, state and local income taxes of the Lessor resulting from the receipt of the Tax Payment. In addition, the Basic Lease Rate Factor applicable to such Item of Leased Equipment shall, on and after the Basic Rent Date next succeeding the date payment of the Tax Payment is demanded, be increased by an amount which, after deduction of all federal, state and local income taxes assumed to be payable by the Lessor on the receipt of additional Rent resulting from such increase, will, in the reasonable opinion of the Lessor, maintain the Lessor's net after-tax return and cash flows (computed using the same assumptions used by the Lessor in originally evaluating this transaction) with respect to such Item of Leased Equipment at the same level that would have been available if the Lessor had been entitled to use all the Investment Credit, Depreciation Deduction and Interest Deduction. Any such increase in the Basic Lease Rate Factor shall be determined by the Lessor and, at the Lessee's request and expense, shall be subject to an audit by an independent public accountant selected by the Lessor and reasonably acceptable to the Lessee.

(d) For purposes of this Section, a Loss shall occur upon the earliest of (1) the happening of any event (such as a disposition or change in the use of any Item of Leased Equipment) which may cause such Loss, (2) the payment by the Lessor to the Internal Revenue Service of the tax increase resulting from such Loss, or (3) the adjustment of the tax return of the Lessor to reflect such Loss. With respect to any Item of Leased Equipment, the Lessor shall be responsible for, and shall not be entitled to a payment

under this Section on account of, any Loss due to any event which by the terms of this Lease requires payment by the Lessee of the Casualty Value of such Item, if such Casualty Value is thereafter actually paid by the Lessee, to the extent that such payment reimburses the Lessor for amounts otherwise payable by the Lessee pursuant to this Section.

(e) All the Lessor's rights arising from the indemnities contained in this Section shall survive the expiration or other termination of this Lease with respect to any or all Items of Leased Equipment and such indemnities are expressly made for the benefit of, and shall be enforceable by, the Lessor, its successors and assigns.

#### SECTION 14. Right of First Refusal.

(a) Provided that no Default or Event of Default shall have occurred and be continuing hereunder, the Lessor agrees that, during the term of this Lease and for 270 days following the expiration of the term of this Lease or any extension thereof, it will not sell any Items of Leased Equipment unless the Lessor shall have given the Lessee at least 30 Business Days' prior written notice of any intended sale, specifying the sale price and the terms of such sale, and the Lessee shall have the opportunity during said period to purchase all but not less than all such Items of Leased Equipment at the same price and on the same terms as specified in such notice; provided, however, that in no event shall such price be less than the Fair Market Value of such Items of Leased Equipment.

(b) In the event the Lessee exercises such right of first refusal to purchase any Item of Leased Equipment, then, upon payment of the purchase price, the Lessor shall, upon request of the Lessee, execute and deliver to the Lessee, or to the Lessee's assignee or nominee, a bill of sale (without representations or warranties except that such Item of Leased Equipment is free and clear of all claims, liens, security interests and other encumbrances by or in favor of any Person claiming by, through or under the Lessor) for such Item of Leased Equipment, and such other documents as may be required to release such Item of Leased Equipment from the terms and scope of this Lease and to transfer title thereto to the Lessee or such assignee or nominee, in such form as may reasonably be requested by the Lessee, all at the Lessee's expense.

#### SECTION 15. Lease Extension.

(a) Provided that this Lease has not been terminated and no Default or Event of Default shall have occurred and be continuing hereunder, the Lessee shall have the option to extend the term of this Lease with respect to all, but not less than all, the Leased Equipment at the Expiration Date or at the end of any extended term of this Lease, as the case may be, for additional Lease Extension Periods as provided for in Exhibit C hereto, provided that the Lessee may not elect to extend the term of this Lease for more than such Lease Extension Periods as are provided for in said Exhibit C, for a rental equal to the Fair Market Rental Value thereof, determined as of such Expiration Date or as of the end of such extended term, as the case may be.

(b) Not less than 210 days prior to the Expiration Date or the end of any extended term of this Lease, as the case may be, with respect to all, but not less than all, the Leased Equipment, the Lessee may indicate, by written notice to the Lessor, the Lessee's interest in exercising the Lessee's lease extension option described above, which notice shall set forth the Lessee's estimate of the Fair Market Rental Value of the Leased Equipment as of such Expiration Date or as of the end of such extended term, as the case may be. If, on or before a date 180 days prior to such Expiration Date or the end of such extended term, as the case may be, the Lessor and the Lessee are unable to agree upon a determination of the Fair Market Rental Value of the Leased Equipment, such Fair Market Rental Value shall be determined in accordance with the procedure for Appraisal. After a determination of the Fair Market Rental Value of the Leased Equipment has been made in accordance with the procedure described above, the Lessee may exercise its option to extend the term of this Lease with respect to the Leased Equipment for the Fair Market Rental Value thereof by delivering written notice of such exercise to the Lessor not less than 60 days prior to the Expiration Date or the end of such extended term, as the case may be.

#### SECTION 16. Events of Default.

The term Event of Default, wherever used herein, shall mean any of the following events under this Lease:

(a) the Lessee shall fail to make any payment of Rent within 10 days after the same shall become due; or

(b) the Lessee shall fail to perform or observe any other covenant, condition or agreement to be performed or observed by it under this Lease, the Participation Agreement or any agreement, document or certificate delivered by the Lessee in connection herewith or therewith, or the Guarantor shall fail to perform any covenant, condition or agreement to be performed or observed by it under the Guarantee, and such failure by the Lessee or the Guarantor shall continue for 20 days after written notice thereof from the Lessor to the Lessee or the Guarantor, as the case may be; or

(c) any representation or warranty made by the Lessee in this Lease, the Participation Agreement or any agreement, document or certificate delivered by the Lessee in connection herewith or therewith, or any representation or warranty made by the Guarantor in the Guarantee or any agreement, document or certificate delivered by the Guarantor in connection therewith, shall prove to have been incorrect in any material respect when any such representation or warranty was made or given; or

(d) a petition in bankruptcy or for reorganization or arrangement shall be filed by the Lessee or the Guarantor; or the Lessee or the Guarantor shall make an assignment for the benefit of creditors or consent to the appointment of a trustee, custodian or a receiver, or a trustee, custodian or a receiver shall be appointed for the Lessee or the Guarantor, for any item of Leased Equipment or for a substantial part of the Lessee's or the Guarantor's property without its consent and any such trustee, custodian or receiver shall not be dismissed within a period of 60 days;

or bankruptcy, reorganization or insolvency proceedings shall be instituted against the Lessee or the Guarantor and shall not be dismissed within a period of 60 days; or

(e) the Lessee or the Guarantor shall be in default under any material obligation for the payment of borrowed money or for the deferred purchase price of, or for the payment of any rent under any lease agreement covering, material real or personal property, and the applicable grace period with respect thereto shall have expired and the obligations shall not be duly contested in good faith; or

(f) the Lessee or the Guarantor shall suffer any judgment in excess of \$100,000 or shall suffer any judgment, writ of attachment or execution or any similar process (regardless of the underlying judgment or claim, as the case may be) to be issued or levied against the Leased Equipment, which judgment, writ or similar process is not released, stayed, bonded or vacated within 90 days after its issue or levy.

#### SECTION 17. Remedies.

(a) Upon the occurrence of any Event of Default and so long as the same shall be continuing (and the same shall not have been cured by the Guarantor), the Lessor may, at its option, declare this Lease to be in default by written notice to such effect given to the Lessee, and at any time thereafter, the Lessor may exercise one or more of the following remedies, as the Lessor in its sole discretion shall lawfully elect:

(1) Proceed by appropriate court action, either at law or in equity, to enforce performance by the Lessee of the applicable covenants of this Lease or to recover damages for the breach thereof.

(2) By notice in writing terminate this Lease, whereupon all rights of the Lessee to the use of the Leased Equipment shall absolutely cease and terminate but the Lessee shall remain liable as hereinafter provided; and thereupon the Lessee, if so requested by the Lessor, shall at its expense promptly return the Leased Equipment to the possession of the Lessor at such place as the Lessor shall designate and in the condition required upon the return thereof pursuant to and in accordance with the terms hereof, or the Lessor, at its option, may, subject to compliance with all mandatory requirements of law, enter upon the premises where the Leased Equipment is located and take immediate possession of and remove the same by summary proceedings or otherwise. The Lessee shall, without further demand, forthwith pay to the Lessor an amount equal to any unpaid Rent due and payable for all periods up to and including the Basic Rent Date following the date on which the Lessor has declared this Lease to be in default, plus, as liquidated damages for loss of a bargain and not as a penalty, an amount equal to the Casualty Value of the Leased Equipment then subject to this Lease, computed as of the Basic Rent Date following the date on which the Lessor has declared this Lease to be in default. Following the return of the Leased Equipment to the Lessor pursuant to this paragraph (2) the Lessor shall proceed to sell the Leased Equipment in such commer-



cially reasonable manner as it shall deem appropriate. The proceeds of such sale shall be applied by the Lessor (A) first, to pay all costs, charges and expenses, including reasonable legal fees and disbursements, incurred by the Lessor as a result of the default and the exercise of its remedies with respect thereto; (B) second, to pay to the Lessor an amount equal to any unpaid Rent due and payable and the Casualty Value, to the extent not previously paid, and (C) third, to reimburse the Lessee for the Casualty Value to the extent previously paid by the Lessee as liquidated damages; any surplus remaining thereafter shall be retained by the Lessor. To the extent that all Basic Rent then due and payable with respect to the Leased Equipment and the Casualty Value in respect of such Leased Equipment have not been previously paid, the Lessee shall forthwith pay to the Lessor the sum of (i) the amount by which (X) the sum of (a) all Basic Rent then due and payable with respect to the Leased Equipment, (b) the Casualty Value or portion thereof not theretofore paid, and (c) the amount payable under clause (A) of the next preceding sentence exceeds (Y) the sale price of the Leased Equipment, and (ii) interest at the Late Payment Rate on the full amount of the Casualty Value, computed from the date the Casualty Value is payable hereunder until such Casualty Value is paid by the Lessee.

(b) The Lessee shall be liable for all costs, charges and expenses, including reasonable legal fees and disbursements, incurred by the Lessor by reason of the occurrence of any Event of Default or the exercise of the Lessor's remedies with respect thereto.

(c) No remedy referred to herein is intended to be exclusive, but each shall be cumulative and in addition to any other remedy referred to above or otherwise available to the Lessor at law or in equity. No express or implied waiver by the Lessor of any Default or Event of Default hereunder shall in any way be, or be construed to be, a waiver of any future or subsequent Default or Event of Default. The failure or delay of the Lessor in exercising any rights granted it hereunder upon any occurrence of any of the contingencies set forth herein shall not constitute a waiver of any such right upon the continuation or recurrence of any such contingencies or similar contingencies and any single or partial exercise of any particular right by the Lessor shall not exhaust the same or constitute a waiver of any other right provided herein.

#### SECTION 18. Return of Leased Equipment.

If this Lease shall terminate pursuant to Section 17 hereof or the terms of this Lease shall otherwise expire in accordance with the terms hereof in respect of any Item of Leased Equipment, the Lessee shall forthwith deliver possession of such Item of Leased Equipment to the Lessor. Each Item of Leased Equipment so delivered shall be in the same operating order, repair and condition as when originally delivered to the Lessee, reasonable wear and tear excepted, and shall have attached or affixed thereto any addition, modification or improvement considered an accession thereto as provided in Section 8 and shall have removed therefrom at the Lessee's expense any addition, modification or improvement which, as provided in Section 8, is owned by the Lessee or, if the same is not so

removed, it shall be deemed to be an accession. For the purpose of delivering possession of any Item of Leased Equipment as above required, the Lessee shall at its own cost, expense and risk:

(a) forthwith and in the usual manner (including, but not by way of limitation, giving prompt telegraphic and written notice to the Association of American Railroads and all railroads to which any such Item of Leased Equipment has been interchanged or which may have possession thereof to return such Item of Leased Equipment) and at the usual speed, place such Item of Leased Equipment upon such storage tracks as the Lessor reasonably may designate; and

(b) cause such Item of Leased Equipment to be stored on such tracks at the risk of the Lessee without charge for insurance, rent or storage (i) until such Item of Leased Equipment has been sold, leased or otherwise disposed of by the Lessor if such termination occurs pursuant to Section 17 hereof or (ii) if the terms of the Lease shall have otherwise expired in accordance with the terms hereof, until the Period of Storage shall expire.

The assembling, delivery, storage and insurance of the Items of Leased Equipment as hereinabove provided shall be at the expense and risk of the Lessee and are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver and store the Items of Leased Equipment. During the Period of Storage, the Lessee will, at its own cost and expense if the Lease has been terminated pursuant to Section 17 hereof or, if the term of this Lease shall have otherwise expired, upon the request of the Lessor and at the Lessor's expense, maintain and keep the Items of Leased Equipment in good order and repair and will permit the Lessor or any Person designated by it, including the authorized representative or representatives of any prospective purchaser of any such Items of Leased Equipment, to inspect the same. All amounts earned in respect of the Items of Leased Equipment after the date of termination of this Lease shall belong to the Lessor and, if received by the Lessee, shall be promptly turned over to the Lessor. In the event any Item of Leased Equipment is not assembled, delivered and stored, as hereinabove provided, within 60 days after such termination, the Lessee shall in addition, pay to the Lessor for each day thereafter an amount equal to the amount, if any, by which the Basic Rent as set forth in Section 3(b)(2) hereof payable on the Basic Rent Date next preceding such termination (or the First Basic Rent Date in the event such termination shall occur prior thereto) for such Items of Leased Equipment divided by 30 (or 360 in the event such Basic Rent Date shall be the First Basic Rent Date) exceeds the actual earnings received by the Lessor for such Item of Leased Equipment for each such day.

Without in any way limiting the obligation of the Lessee under the foregoing provisions of this Section 18, the Lessee hereby irrevocably appoints the Lessor as the agent and attorney of the Lessee, with full power and authority, at any time while the Lessee is obligated to deliver possession of any Item of Leased Equipment to the Lessor, to demand and take possession of such Item of Leased Equipment in the name and on

behalf of the Lessee from whomsoever shall be in possession of such Item of Leased Equipment at the time.

SECTION 19. Special Terms and Modifications.

Any special terms or modifications set forth in Exhibit C hereto shall be applicable to this Lease as though fully set forth herein.

SECTION 20. Notices.

All communications and notices provided for herein shall be in writing and shall become effective when deposited in the United States mail, with proper postage for first-class mail, prepaid, addressed (a) if to the Lessor, at One Constitution Plaza, Hartford, Connecticut 06115, Attention: Corporate Trust Department (with copies to (1) Itel Corporation, Equipment Finance Division, at One Embarcadero Center, San Francisco, California 94111, Attention: Contract Administration, (2) the Trustee, at 79 South Main Street, Salt Lake City, Utah 84111, Attention: Trust Division, Corporate Trust Department, and (3) the Beneficiary, at its address set forth in Exhibit C hereto), and (b) if to the Lessee, at Traffic Department, 299 East Sixth Street, Cincinnati, Ohio 45201, Attention: Manager of Rail Transportation Section; or at such other address as any such Person may from time to time designate by notice duly given in accordance with the provisions of this Section 20 to the other parties hereto.

SECTION 21. Successors, Assigns and Indemnified Parties.

This Lease, including all agreements, covenants, representations and warranties, shall be binding upon and inure to the benefit of, and may be enforced by, (1) the Lessor and its successors, assigns, agents, servants and personal representatives, and, where the context so requires, (i) the Beneficiary and its successors and assigns and (ii) any holder of the obligations of the Lessor issued in connection with this Lease, (2) the Trustee, as assignee and secured party, (3) the successors, assigns, agents and personal representatives of the Trustee, as assignee and secured party, and (4) the Lessee and its successors and, to the extent permitted hereby, assigns. With respect to the provisions of Sections 5, 7 and 12 hereof, the Beneficiary, the Related Trust Estate, as such term is defined in the Trust Agreement, the Trustee, as assignee and secured party, the Lessor, in both its individual and fiduciary capacities, any holder of obligations of the Lessor issued in connection with the purchase or acquisition of the Leased Equipment, and the successors, assigns, agents, and personal representatives of the foregoing shall each be indemnified thereunder to the same extent as if named therein and, with respect to clause (b) of the proviso to Section 12 hereof, the willful misconduct or gross negligence of the Lessor or any one such Person shall not affect the rights of any other Person indemnified under such Section 12. With respect to the provisions of Section 13 hereof, the "Lessor", as used therein, shall mean the Beneficiary and the consolidated taxpayer group of which the Beneficiary is a member, and the Beneficiary and such group are hereby made third party beneficiaries for purposes of the provisions thereof.

SECTION 22. Amendments and Miscellaneous.

(a) The terms of this Lease shall not be waived, amended, supplemented or terminated in any manner whatsoever except by written instrument signed by the Lessor and the Lessee; provided, however, that no such waiver, amendment or supplement shall make any change, and no termination shall be made, which is prohibited by the Indenture or any Supplement without the consent of the Trustee.

(b) All agreements, indemnities, representations and warranties contained in this Lease, the Participation Agreement or any agreement, document or certificate delivered pursuant hereto or thereto or in connection herewith or therewith shall survive the execution and delivery of this Lease and the expiration or other termination of this Lease.

(c) Any provision of this Lease which may be determined by competent authority to be prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. To the extent permitted by applicable law, the Lessee hereby waives any provision of law which renders any provision hereof prohibited or unenforceable in any respect.

(d) This Lease shall constitute an agreement of lease and nothing herein shall be construed as conveying to the Lessee any right, title or interest in or to the Leased Equipment, except as lessee only.

(e) This Lease may be executed in any number of counterparts and by the different parties hereto on separate counterparts. This Lease, the Indenture and the Supplement shall be filed by the Lessee with the Interstate Commerce Commission in accordance with the applicable provisions of 49 U.S.C. § 11303 prior to the delivery and acceptance hereunder of any Item of Leased Equipment.

(f) This Lease shall be governed by, and construed in accordance with, the laws of the State of Ohio.

(g) Although this Lease is dated as of the date first above written for convenience, the actual dates of execution hereof by the parties hereto are respectively the dates set forth under the signatures hereto, and this Lease shall be effective on the latest of such dates.

IN WITNESS WHEREOF, the parties hereto have each caused this

Lease to be duly executed by their respective officers thereunto duly authorized.

THE CONNECTICUT BANK AND TRUST  
COMPANY, not in its individual  
capacity, but solely as trustee  
under a Master Trust Agreement  
dated as of November 2, 1978,  
between it and Itel Corporation,  
Equipment Finance Division,  
as Lessor


[SEAL]

By \_\_\_\_\_  
Authorized Officer

Date \_\_\_\_\_, 1979

THE PROCTER & GAMBLE PAPER PRODUCTS  
COMPANY,  
as Lessee

[SEAL]

By   
Date Jan. 10, 1979/1980

STATE OF CONNECTICUT, )  
 : SS.:  
COUNTY OF HARTFORD, )

On the                    day of                    1979, before me personally appeared                    , who, being by me duly sworn, did say that he is an Authorized Officer of THE CONNECTICUT BANK AND TRUST COMPANY, that one of the seals affixed to the foregoing instrument is the seal of said corporation, and that said instrument was signed and sealed on behalf of said corporation, by authority of its by-laws and by resolution of its board of directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Notary Public

My Commission expires

[NOTARIAL SEAL]

STATE OF OHIO, )  
 : ss.:  
COUNTY OF HAMILTON ,)

On the 10<sup>th</sup> day of January 1980, before me personally appeared G. H. Perkins, who, being by me duly sworn, did say that he is a Vice President of THE PROCTER & GAMBLE PAPER PRODUCTS COMPANY, that one of the seals affixed to the foregoing instrument is the seal of said corporation, and that said instrument was signed and sealed on behalf of said corporation by authority of its by-laws and by resolution of its board of directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.



[NOTARIAL SEAL]

William N. Konters  
Notary Public

My Commission expires

**WILLIAM W. VENTRESS, Attorney at Law**  
**Notary Public, State of Ohio**  
**My Commission has no expiration**  
**date. Section 147.03 R. C.**

EXHIBIT A  
to Lease

DESCRIPTION OF EQUIPMENT

<u>Quantity</u>	<u>Manufacturer</u>	<u>Description and AAR Mechanical Designation</u>	<u>Lessee's Identification Numbers</u>	<u>Estimated Lessor's Cost Per Item</u>
150	FMC Corporation	70-ton 50' 6" Class XP Box Cars	GBW 16150 through 16299 (both inclusive)	\$42,043 f.o.b. Portland, Oregon

EXHIBIT B  
to Lease

CERTIFICATE OF ACCEPTANCE NO. \_\_\_\_

under

EQUIPMENT LEASE dated as of October 15, 1979 (the Lease), between THE CONNECTICUT BANK AND TRUST COMPANY, as lessor (the Lessor), not in its individual capacity, but solely as trustee under a Master Trust Agreement dated as of November 2, 1978, between it and ITEL Corporation, Equipment Finance Division, and THE PROCTER & GAMBLE PAPER PRODUCTS COMPANY, as lessee (the Lessee).

1. Items of Equipment. The Lessee hereby certifies that the Items of Equipment set forth and described in Schedule 1 hereto (which Schedule includes the amount of the Lessor's Cost of each such Item), have been delivered to and inspected by the Lessee, found to be in good order and accepted as Items of Leased Equipment under the Lease, all on the Date(s) of Acceptance set forth in Schedule 1 hereto.

2. Representations by the Lessee. The Lessee hereby represents and warrants to the Lessor, the Beneficiary, the Trustee and the Long-Term Lender, as such terms are defined in the Lease and in the Participation Agreement referred to in the Lease, that on the Date(s) of Acceptance set forth in Schedule 1 hereto:

(1) The representations and warranties of the Lessee set forth in the Participation Agreement are true and correct in all material respects as though made on and as of such Date(s) of Acceptance.

(2) The Lessee has satisfied or complied with all requirements set forth in the Participation Agreement, in any certificate of the Lessee and in the Lease to be satisfied or complied with on or prior to such Date(s) of Acceptance.

(3) No Default or Event of Default under the Lease has occurred




and is continuing on such Date(s) of Acceptance.

THE PROCTER & GAMBLE PAPER PRODUCTS  
COMPANY,  
as Lessee

By 

Accepted on the Date(s) of Acceptance set forth in Schedule 1 hereto on behalf of the Lessor, THE CONNECTICUT BANK AND TRUST COMPANY, not in its individual capacity, but solely as trustee under a Master Trust Agreement dated as of November 2, 1978, between it and Itel Corporation, Equipment Finance Division,  
as Lessor

THE PROCTER & GAMBLE PAPER PRODUCTS  
COMPANY,  
as Authorized Representative

By 

SCHEDULE 1 TO  
CERTIFICATE OF ACCEPTANCE NO. \_\_\_\_\_

Description of Equipment and Lessor's Cost:

<u>Quantity</u>	<u>Manufacturer</u>	<u>Description</u>	<u>Lessee's Identification Numbers</u>	<u>New</u>	<u>Lessor's Cost</u>	<u>Date(s) of Acceptance</u>
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Total \$ \_\_\_\_\_

EXHIBIT C  
to Lease

Date of Lease: As of October 15, 1979.

Beneficiary: J. P. Morgan Interfunding Corp.  
522 Fifth Avenue  
New York, N. Y. 10036  
Attention: Leasing Officer.

Rent Commencement Date: The Date of Acceptance as set forth  
in the Certificate of Acceptance appli-  
cable to such Item.

Late Payment Rate: For any period, the higher of 11% per  
annum or, if the Beneficiary so elects,  
a rate per annum equal to 1% above the  
rate of interest publicly announced  
by Morgan Guaranty Trust Company of  
New York from time to time as its  
Prime Rate, such rate elected to be  
applied from the beginning of any  
period for which the Late Payment Rate  
is to be in effect.

Basic Rent Dates: March 15, 1981, and the 15th day  
of each succeeding month to and  
including the Last Basic Rent Date.

Estimated First Delivery Date: January 3, 1980.

Final Delivery Date: June 30, 1980.

First Basic Rent Date: March 15, 1981.

Last Basic Rent Date: March 15, 1995.

Expiration Date: March 15, 1995.

Casualty Value Payment Dates: March 15, 1980, and the 15th day  
of each succeeding month.

Basic Lease Rate Factor: March 15, 1981 ): 12.2268%

April 15, 1981, )  
to and including ): 1.0189%  
March 15, 1985 )

April 15, 1985, )  
to and including ): .8337%  
March 15, 1990 )

EXHIBIT C  
to Lease

April 15, 1990, )  
to and including ): .46328  
March 15, 1995 )

Lease Extension Periods:

Five periods of one year each.

Equipment Marking:

In letters not less than one inch  
in height: "Ownership Subject to a  
Security Agreement Filed with the  
Interstate Commerce Commission".

Period of Storage:

120 days.

Investment Credit Percentage:

10%.

Depreciable Life:

A 12-year depreciable life pursuant  
to section 167(m) of the Code for  
an asset described in Asset Guideline  
Class No. 00.25.

Depreciation Method:

The double-declining balance method  
switching to the sum-of-the-years  
digits method when most beneficial to  
the Beneficiary and without the  
prior consent of the Commissioner  
of Internal Revenue utilizing the  
"modified half-year" or "half-year"  
convention pursuant to Reg. sec-  
tion 1.167(a)-11(c)(2) and taking  
into account the Net Salvage Value  
of the Leased Equipment.

Net Salvage Value:

An amount equal to 10% of the Lessor's  
Cost of the Leased Equipment, which  
amount will be reduced by 10% of the  
Lessor's Cost as provided in section  
167(f) of the Code.

EXHIBIT D  
to Lease

The Casualty Value of each Item of Leased Equipment shall be the percentage of Lessor's Cost of such Item set forth opposite the applicable Casualty Value Payment Date:

<u>Casualty Value Payment Date</u>	<u>Casualty Value (a) (b)</u>	<u>Casualty Value Payment Date</u>	<u>Casualty Value (a) (b)</u>
1	87.9756	41	78.8314
2	87.2160	42	78.4031
3	87.7421	43	77.9711
4	88.2718	44	77.5191
5	88.8050	45	77.0632
6	89.3419	46	76.6034
7	89.8824	47	76.1232
8	90.4265	48	75.6390
9	90.9743	49	75.1507
10	91.5259	50	74.6667
11	92.0811	51	74.1663
12	92.6401	52	73.6617
13	88.6694	53	73.1491
14	88.6504	54	72.6321
15	88.5455	55	72.1107
16	88.4393	56	71.5727
17	88.0767	57	71.0303
18	87.7110	58	70.4832
19	87.3421	59	69.9194
20	86.9270	60	69.3508
21	86.5085	61	68.7775
22	86.0865	62	68.3932
23	85.6610	63	67.9979
24	85.2319	64	67.5993
25	84.7992	65	67.1981
26	84.3787	66	66.7936
27	83.9411	67	66.3857
28	83.4997	68	65.9665
29	83.1838	69	65.5438
30	82.8650	70	65.1176
31	82.5434	71	64.6834
32	82.2051	72	64.2456
33	81.8639	73	63.8042
34	81.5197	74	63.3590
35	81.1587	75	62.9102
36	80.7945	76	62.4576
37	80.4271	77	62.0012
38	80.0510	78	61.5411
39	79.6552	79	61.0771
40	79.2560	80	60.6092

EXHIBIT D  
to Lease

<u>Casualty Value Payment Date</u>	<u>Casualty Value (a) (b)</u>	<u>Casualty Value Payment Date</u>	<u>Casualty Value (a) (b)</u>
81	60.1374	131	34.9970
82	59.6618	132	34.7341
83	59.1821	133	34.4689
84	58.6984	134	34.1930
85	58.2108	135	33.9190
86	57.7190	136	33.6427
87	57.2232	137	33.3598
88	56.7232	138	33.0745
89	56.2190	139	32.7867
90	55.7107	140	32.5008
91	55.1981	141	32.2124
92	54.6812	142	31.9215
93	54.1601	143	31.6324
94	53.6346	144	31.3407
95	53.1047	145	31.0466
96	52.5704	146	30.7532
97	52.0317	147	30.4630
98	51.4884	148	30.1704
99	50.9406	149	29.8843
100	50.3883	150	29.5956
101	49.8314	151	29.3045
102	49.2698	152	29.0167
103	48.7035	153	28.7263
104	48.1326	154	28.4334
105	47.5568	155	28.1438
106	46.9763	156	27.8516
107	46.3909	157	27.5569
108	45.8007	158	27.2674
109	45.2055	159	26.9851
110	44.6054	160	26.7003
111	44.0002	161	26.4306
112	43.3901	162	26.1547
113	42.7748	163	25.8726
114	42.1544	164	25.5940
115	41.5289	165	25.3093
116	40.9006	166	25.0182
117	40.2669	167	24.7307
118	39.6289	168	24.4369
119	38.9867	169	24.1367
120	38.3404	170	23.8352
121	37.6897	171	23.5396
122	37.4066	172	23.2377
123	37.1296	173	22.9466
124	36.8503	174	22.6493
125	36.5863	175	22.3456
126	36.3200	176	22.0478
127	36.0514	177	21.7437
128	35.7891	178	21.4332
129	35.5245	179	21.1286
130	35.2576	180	20.8176
		181	20.0000

(a) Casualty Values are expressed as percentages of Lessor's Cost. Such percentages have been computed without regard to recapture of Investment Credit. Consequently, such percentages applicable on the Casualty Value Payment Date where Casualty Values shall be payable with respect to an Event of Loss occurring before the third, fifth or seventh anniversary of the date of acceptance set forth in the Certificate of Acceptance for such Item shall be increased by the percentage of Lessor's Cost set forth below, and for purposes of this Lease, Casualty Values payable on such date shall be determined on the basis of the sum of such percentages:

<u>Anniversary of the Date of Acceptance</u>	<u>Percentage of Lessor's Cost To be Added to the Foregoing Percentage</u>
Third	24.3902%
Fifth	16.2602%
Seventh	8.1301%

(b) In the event the Basic Lease Rate Factor is increased pursuant to the tax indemnification provisions set forth in Section 13 of the Lease, Casualty Values shall be adjusted accordingly.